

Disclosure Brochure and Supplement

Form ADV Part 2

12/31/2013



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This brochure provides information about the qualifications and business practices of Axia Advisory Corporation. If you have any questions about the contents of this brochure, please contact us at 888-609-2942 or visit our website at www.AxiaAdvisory.com. The information in this brochure has not been approved or verified by the United State Securities and Exchange Commission or by any state securities authority.

Additional information about Axia Advisory Corporation is also available on the SEC's website at www.adviserinfo.sec.gov.

Axia Advisory Corporation is a Registered Investment Advisor under the Investment Advisors Act of 1940. This registration does not imply any particular level of skill or training.

Summary of Material Changes

Axia Advisory Corporation's Brochure has been updated with the following material changes that have occurred since the last annual update of our brochure on 12/31/12

Assets under management have been updated to reflect current figures.

Our offices moved in December 2013 to 20 E. 91st Street.

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Advisory Business

Axia Advisory Corporation (Axia) is an independent investment advisory firm in Indianapolis, Indiana. The firm's employees have over 50 years of combined experience in the financial services industry. In 1991 Axia incorporated, and in 1992 the firm registered with the Securities and Exchange Commission as an investment advisor. Keith Shadrack is the principal owner.

Our primary business is the supervision of investment portfolios for institutional and private clients. We oversee portfolios in our capacity as investment counsel under the 1940 Investment Advisers Act, where we represent that a substantial part of our business consists of rendering investment supervisory services. Axia supervises client portfolios individually, according to the particular requirements of each client's circumstances, objectives, and preference for investment risk. Because Axia supervises portfolios individually, clients may choose to impose restrictions on investing in certain securities or types of securities.

The foundation of all of Axia's work is the Prudent Investor Act. We assert that:

- Investment decisions must be evaluated not in isolation, but in the context of the entire portfolio. We assist clients in developing practical strategies for combining distinct assets into optimal portfolios.
- Risk and return go hand in hand. We help clients make decisions about the level of risk they are willing to accept.
- Diversification is fundamental to risk management. We help clients reduce unjustified risk by carefully diversifying their portfolios.
- Fiduciaries must focus on "total return" and the protection of purchasing power over the long term. We adhere to prudent measures which achieve real long term returns above inflation.
- A prudently managed portfolio avoids unjustified expenses. We are unyielding in our drive to reduce fees and investment costs borne by clients. All costs are fully disclosed to clients.

Axia serves as a fiduciary to its clients. Our first duty is to our clients over and above the interests of the firm and its employees. We work in the best interest of our clients. We have purposely structured our firm to avoid any real or perceived conflicts of interest. We avoid conflicts of interest by rejecting relationships with any organization, financial or otherwise, that would oblige us to do business with them on behalf of our clients, other than because of the quality of their products and services.

As of 12/31/13, Axia oversees approximately \$676 million of non-discretionary assets and approximately \$377 million of discretionary assets.

Fees and Compensation

Investment advisory and supervisory fees are charged as an annual retainer, a percentage of assets, or a combination based on the services provided to each client. Each quarter, fees are submitted to clients for review. Clients are responsible for verifying fee computations since custodians are not typically asked to perform this task. For investment advisory and supervisory services, the fee is payable quarterly, in advance. The fee is calculated as one-fourth of the annual retainer or percentage of assets rate as of the last quarterly valuation and is initiated approximately 6 weeks after the end of the preceding quarter. The initial fee, which may be for a period of time other than 3 months, will be based on the prorated retainer or asset value on or about the account starting date.

Clients may pay fees directly, or may direct custodians to pay fees via disbursement of client funds to Axia. All fee schedules are negotiated, depending on the scale, complexity and range of services provided to the client.

Institutional/Plan Sponsor Services

Axia charges fixed fees (retainer or retainer + fiduciary fee) for Institutional Clients who may desire comprehensive and ongoing continuous services. Normally, Axia and the client agree at inception which method of billing is appropriate. Fees may be reassessed based upon the time spent, complexity of the relationship, fiduciary responsibility and periodic inflation adjustment.

Private Client Services

Investment supervisory services for Private Clients are generally charged a fee based on a percentage of the assets under supervision; however a flat fee may be negotiated. The annual percentage rates are as follows: 1.00% on the first \$1,000,000; 0.75% on the next \$1,000,000; 0.50% on the remainder.

Axia charges \$250 per hour for consultations services for senior consultants. Junior consultants are billed at an hourly rate of \$150. Travel time and expenses may be billed to the client.

Account assets invested in shares of mutual funds or other investment companies ("funds") will be included in calculating the value of the Account for purposes of computing our fees, and the same assets will also be subject to additional advisory and other fees and expenses, as set forth in the prospectuses of those funds, paid by the funds but ultimately borne by the investor.

Additional transaction fees *may* be charged by the custodian and will be dependent on the securities purchased or sold. Please see the later section on Brokerage Practices for more information.

Contracts may be cancelled upon 30 days written notice by either party. Upon termination, any prepaid fee is refunded on a pro-rated basis for the unearned period.

Performance-Based Fees and Side by Side Management

Axia does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client. In addition, fees are not based on a share of the capital gains or capital appreciation of securities.

Types of Clients

Institutional Services

Axia provides investment management and advisory services to sponsors of ERISA qualified corporate pension and retirement savings plans and IRC Section 403(b) and similar plans offered by governmental and non-profit organizations. The firm also provides services to non-qualified corporate retirement plans.

Retirement plans are a legally complex employee benefit provided by organizations for their employees. Plan Sponsors must adhere to regulations mandated by the Internal Revenue Service and the U.S. Department of Labor. Failure to comply with the regulations can pose a significant risk to the organization and to the individual trustees and fiduciaries of the plan.

Axia's primary business is in assisting plan sponsors in managing their fiduciary responsibilities by performing the following advisory and consulting services.

Evaluation of the existing program: Axia assists in the evaluation of the plan's investment, operational and participant success measures in order to assist fiduciaries in making informed decisions regarding the plans future direction.

Fiduciary Governance: Axia assists the plan sponsor in developing an investment process that meets objectives implicit in the sponsor's retirement plan while minimizing employer exposure to fiduciary liability.

Formalization of Investment Policy Statement: Axia works with the sponsor to develop documentation detailing investment objectives, guidelines and structure that ensure the stability and long term viability of the plan.

Evaluation of potential investment managers: Axia helps identify those managers with the investment style, process and personnel best suited to the plan's required criteria. Axia documents a formal review of quantitative and qualitative criteria used to analyze investment managers.

Participant Education and Communication: Axia develops and implements communication programs designed to provide participants with information in which informed investment decisions can be made. We help plan sponsors meet their obligation to disclose to participants information concerning the plan's investment vehicles and procedures. Importantly, we establish structure within the plan to ensure that participants will be well invested.

Evaluation of Plan Providers: Axia conducts evaluations for plan sponsors to find the optimal record-keeping and trust arrangements. Our services help establish the most efficient and appropriate combination of services given the plan's configuration.

Private Client Services

Axia provides for the supervision of investment portfolios primarily intended to support clients in their retirement, whether via IRA assets or other types of accounts. As part of our work, we analyze client investment assets and incomes from all sources in the development of a comprehensive plan for funding retirement.

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. This means that we use passively-managed index funds as the core investments, and then add actively-managed funds where there are greater opportunities to make a difference. Portfolios are globally diversified to control the risk associated with traditional markets.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

Methods of Analysis, Investment Strategies and Risk of Loss

Axia employs objective statistical measures in developing client portfolios. Incorporating unbiased and objective theory from finance, economics and behavioral psychology, we optimize investment structures so as to maximize expected return while simultaneously considering client specific risk. While qualitative and quantitative in nature, our analyses are drawn from Modern Portfolio Theory as well as the hypothesis that markets are somewhat efficient but always adapting. We employ various asset management techniques and endeavor to constantly pursue new ideas and methodologies. In that we employ a value bias to our asset allocation methodology, some might consider us contrarian to the conventional market wisdom of the moment. We believe that portfolios need to be tactically and dynamically managed as the value proposition of different assets change. In a value-oriented portfolio, the levels of entry and exit into an asset class can be critical – this should not be construed as market timing.

Axia client portfolios are distinctive, taking into consideration specific circumstances and investment objectives; including any client imposed investment restrictions. A client's initial review process includes an in-depth discussion to establish investment objectives, time horizon, risk preference,

expected rate of return and asset class preferences. These are organized in a written Investment Policy Statement.

The Investment Policy Statement serves as the strategic outline from which the client and advisor may refer in making investment decisions. Importantly, it includes the criteria for which the selection and monitoring of investments or investment managers is drawn. It organizes the investment structure and establishes the benchmark by which portfolio performance is measured. In that fiduciaries and investors must make rational and defensible investment decisions, the Investment Policy Statement establishes a procedurally prudent roadmap by which investment decisions are made incorporating available information.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. It is imperative that clients understand that we cannot manage outcomes, we can only manage risk. Investors face the following investment risks:

Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

Market Risk: The price of a security, bond, or mutual fund may drop in reaction to events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Action

Axia has never been subject to disciplinary action.

Other Financial Industry Activities and Affiliations

Axia has no arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment advisor, banking or thrift institution, accounting firm, law firm, insurance company or pension consultant. Importantly, we avoid conflicts of interest by rejecting relationships with any organization other than because of the quality of their products and services.

Keith Shadrick is a current member and former President of the Revere Coalition. The Revere Coalition is a consortium of firms that provide conflict free, objective counsel to qualified plan sponsors. Each member pledges that the fees they receive from clients are their only form of compensation. This affiliation creates no conflict of interest.

Code of Ethics, Participation or Interest in client Transactions and Personal Trading

Axia's Code of Ethics is predicated on the principle that Axia Advisory Corporation owes a fiduciary duty to its clients. Accordingly, Axia's employees must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of clients. At all times Axia must:

- Place client interest ahead of Axia's
- Engage in personal investing that is in full compliance with Axia's Code of Ethics
- Avoid taking advantage of your position
- Maintain full compliance with Federal Securities Laws

While Axia does permit its employees to engage in personal securities transactions which may involve the same securities recommended to clients, Axia only makes recommendations in mutual funds. By nature, mutual fund transactions do not pose a conflict of interest. In the event an employee wishes to trade in securities also owned by clients, such trades will not be placed in coincidence of client transactions or are in such relatively nominal amounts to the market activity of the security as to have no material effect upon the transactions of the clients.

A full copy of Axia's Code of Ethics is available upon request.

Brokerage Practices

Recommending Brokers

Axia does not have a financial relationship with any broker beyond that of advisor-custodian. We receive no compensation, products, research, referrals or other consideration from any broker/custodian. Clients are free to choose their broker/custodian. When asked, we may recommend a broker/custodian based on several factors such as preferred transaction fees, ease of obtaining account and transaction information and level of service provided. Preferred fees and commission rates may be available as they would for any advisor. Beyond this we do not have the ability to negotiate commissions or obtain volume discounts. Due to the policies of each broker/custodian, all clients may not receive the same commission rates.

Directed Brokerage

On occasion, a client may direct Axia, in writing, to place a securities transaction in the client's account through a specific broker/dealer. This instruction shall be construed as a "directed brokerage arrangement". In such circumstances, the client is responsible for negotiating the terms and arrangements for their account with that broker/dealer. Axia will not seek better execution services or prices from other broker/dealers.

Though Axia will comply with the wishes of a client with regard to directed brokerage, a fiduciary duty to the clients still exists. To that end, Axia is required to disclose all of the following that may apply:

- Our inability under those circumstances to negotiate commissions
- Our inability to obtain volume discounts.
- That there may be a disparity in commission charges among clients.
- Any potential conflicts of interest arising from brokerage firm referrals.

Aggregating Trades

Block trading is a process by which multiple trades for the same security are grouped together, averaged and allocated among the group of accounts. Axia's typical trading is for mutual funds where this practice is not applicable. Axia may use this procedure to facilitate a client's request. For example to purchase the same stock in multiple accounts when it is important that all account receive the same execution price.

Review of Accounts

Accounts are reviewed semi-monthly and quarterly, depending on type. The securities held in client accounts are under continuous review.

Levels of review include: (1) overall account performance; (2) account performance compared to an appropriate benchmark; (3) the consistency of the account with the client's investment policy,

objectives and restrictions, where applicable; and (4) with respect to investment managers, quantitative and qualitative reviews focus on performance, discipline, style and philosophy.

Reviews may be triggered by (1) various changes in economic, political, and/or financial market conditions; (2) changes in other factors that could affect the client's objectives; (3) account underperformance compared to an appropriate benchmark; or (4) replacement of a portfolio manager involved with the client's account.

Account reviews are performed by Keith Shadrack, President.

Depending on the type of client, either a Quarterly Investment Review or a Quarterly Performance Report is created. Retirement Plan/Institutional clients will receive a Quarterly Investment Review. This report includes a market update, account values, performance, participant information (when available) and investment analysis. These reports are delivered via Advisor Vault, a secure website for Plan Sponsors. Individual clients will receive a Quarterly Performance Report which includes a market update, account values and account performance. These reports are delivered via US Mail.

Client Referrals and Other Compensation

Axia has been fortunate to receive client referrals over the years. The referrals came from current clients, attorneys, accountants, employees and other similar sources. The firm does not compensate referring parties for these referrals.

Axia does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Custody

Axia does not have custody of client assets. Client assets are maintained at qualified custodians. Axia does not hold Full Power of Attorney for client accounts, but does hold a Limited Power of Attorney. Accordingly, Axia does not have the authority to effect cash transaction (without client consent) to or from client accounts other than to debit its advisory fees.

Clients will receive statements directly from the custodian. In most cases they will be monthly, but in no case, less frequently than quarterly. Clients will also receive quarterly statements from Axia. Clients are urged to compare these statements and report any discrepancies.

Investment Discretion

Axia accepts discretionary authority to manage securities accounts on behalf of clients. We have the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

The client approves the custodian to be used and the commission rates paid to the custodian. Axia does not receive any portion of the transaction fees or commissions paid by the client to the custodian.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing. While discretionary authority is granted in the brokerage account application for private clients, we will clearly discuss which of a client's accounts should have investment discretion and record this information.

Voting Client Securities

It is Axia's policy not to accept proxy voting authority with respect to client security holdings. Consequently, all proxy solicitations related to securities held in client accounts will be sent directly from the custodian or transfer agent to the client for voting. In the event that a proxy solicitation is sent to us on a client's behalf, it is our practice to forward the solicitation to the client address of record immediately so the vote may be cast. Clients may call Axia with questions about a particular solicitation.

Financial Information

Axia does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because Axia does not serve as a custodian for client funds or securities, and does not require prepayment of fees six months or more in advance.

Brochure Supplement

Education and Business Standards

Axia Advisory Corporation requires that advisors in its employ have a bachelor's degree and places a high value on furthering coursework such as an MBA, CFP®, CFA® or other specialized education. Additionally, advisors must have work experience that demonstrates their aptitude for investment management.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Chartered Financial Analyst (CFA®): Chartered Financial Analysts are licensed by the CFA Institute to use the CFA mark. CFA Certification requirements:

- Hold bachelor's degree from an accredited institution or have equivalent education or work experience.
- Successful completion of all three exam levels of the CFA Program.
- Have 48 months of acceptable professional work experience in the investment decision-making process.
- Fulfill society requirements, which vary by society. Unless you are upgrading from affiliate membership, all societies require two sponsor statements as part of each application; these are submitted online by your sponsors
- Agree to adhere to and sign the Member's Agreement, a Professional Conduct Statement, and any additional documentation requested by CFA Institute.

Keith L. Shadrick

Educational Background

- Year of Birth 1959
- BA Economics Hanover College 1981

Business Experience

- January 1992 to Present: Axia Advisory Corporation - Founder, President and Senior Consultant

Disciplinary Action: None

Other Business Activities: None

Additional Compensation: None

Arbitration Claims: None

Self Regulatory Organization or Administrative Proceedings: None

Bankruptcy Petition: None

Laura M. Perry

Educational Background

- Year of Birth 1968
- BS Indiana State University 1991

Business Experience

- November 2002 to Present: Axia Advisory Corporation - Chief Compliance Officer, VP Operations

Disciplinary Action: None

Other Business Activities: None

Additional Compensation: None

Supervision: Laura Perry is supervised by Keith Shadrick, President. He reviews Ms. Perry's work through frequent office interactions as well as remote interactions. He also reviews Ms. Perry's activities through the review of client accounts and Investment Committee Meetings.

Mr. Shadrick's contact information is as follows:

Keith Shadrick, President Axia Advisory Corporation
317-630-2800

Arbitration Claims: None

Self Regulatory Organization or Administrative Proceedings: None

Bankruptcy Petition: None

Robyn D. Shelley

Educational Background

- Year of Birth 1977
- BA Economics Indiana University 1999
- CFA® designation

Business Experience

- February 2006 to Present: Axia Advisory Corporation - VP Research
- May 2000 to February: 2006 New Salem Capital, LLC

Disciplinary Action: None

Other Business Activities: None

Additional Compensation: None

Supervision: Robyn Shelley is supervised by Keith Shadrick, President. He reviews Ms. Shelley's work through frequent office interactions as well as remote interactions. He also reviews Ms. Shelley's activities through the review of client accounts and Investment Committee Meetings.

Mr. Shadrick's contact information is as follows:

Keith Shadrick, President Axia Advisory Corporation
317-630-2800

Arbitration Claims: None

Self Regulatory Organization or Administrative Proceedings: None

Bankruptcy Petition: None

Matthew M. Fleck

Educational Background

- Year of Birth 1983
- BA Economics DePauw University 2005

Business Experience

- May 2009 to Present: Axia Advisory Corporation - Consultant
- March 2008 to February 2009: National Retirement Partners
- July 2005 to March 2008: Merrill Lynch

Disciplinary Action: None

Other Business Activities: None

Additional Compensation: None

Supervision: Matthew Fleck is supervised by Keith Shadrick, President. He reviews Mr. Fleck's work through frequent office interactions as well as remote interactions. He also reviews Mr. Fleck's activities through the review of client accounts and Investment Committee Meetings.

Mr. Shadrick's contact information is as follows:

Keith Shadrick, President Axia Advisory Corporation
317-630-2800

Arbitration Claims: None

Self Regulatory Organization or Administrative Proceedings: None

Bankruptcy Petition: None

Dawn E. Morley

Educational Background

- Year of Birth 1958
- BA Economics DePauw University 1981
- MBA Butler University 1988

Business Experience

- November 2012 to Present: Axia Advisory Corporation – Investment Advisor
- May 2006 – November 2012: Monroe Bank – Chief Investment Officer/ Trust Manager; nka Old National Bank – Investment Officer

Disciplinary Action: None

Other Business Activities: Ms. Morley serves on the Board of Directors as Treasurer for the Society of the Friends of Music at the Jacobs School of Music at Indiana University.

Additional Compensation: None

Supervision: Dawn Morley is supervised by Keith Shadrick, President. He reviews Ms. Morley's work through frequent office interactions as well as remote interactions. He also reviews Ms. Morley's activities through the review of client accounts and Investment Committee Meetings.

Mr. Shadrick's contact information is as follows:

Keith Shadrick, President Axia Advisory Corporation
317-630-2800

Arbitration Claims: None

Self Regulatory Organization or Administrative Proceedings: None

Bankruptcy Petition: None



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