

Disclosure Brochure

January 22, 2015

FSA Investment Group, LLC

This brochure provides information about the qualifications and business practices of FSA Investment Group, LLC (hereinafter "FSA Investment Group"). If you have any questions about the contents of this brochure, please contact Bridget Wasdin at (251) 368-9430. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about FSA Investment Group, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

FSA Investment Group, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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Item 2. Material Changes

The firm is required to disclose any material changes that have occurred since its last annual update. While not material, the firm's principal office has changed as noted on the cover of this brochure. The firm has the following material change to disclose:

FSA Investment Group, LLC

The firm has reorganized under a newly formed Limited Liability Company, FSA Investment Group, LLC. As of the date of this filing, this new entity succeeds, by amendment, to FS Advisors Inc. As there has been no change in ownership or control, FSA Investment Group, LLC is not required to submit a new application to the SEC. This change in entity status and name will have little, if any, impact on the investment advisory services provided to clients.

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Item 4. Advisory Business

FS Advisors, Inc. was formed in March 2012 by principal owners, Nancy Lowrey and John Hosman. In March, 2014, FS Advisors, Inc. was succeeded by FSA Investment Group as an investment advisory firm that provides wealth management, financial planning and consulting services to its clients. FSA Investment Group is principally owned by the founders Nancy Lowrey and John Hosman. FSA Investment Group focuses on culture, integrity, knowledge, service and trust in an effort to provide its clients with financial services aimed at securing financial strength now and for future generations. The firm seeks to provide unprecedented customer service to its clients while developing each client's trust through honesty and transparency. The firm believes in taking a comprehensive and customized approach to every client's needs.

Prior to engaging the firm to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with FSA Investment Group setting forth the terms and conditions under which FSA Investment Group renders its services (collectively the "*Agreement*").

As of March 31, 2013, the firm had approximately \$385,531,000 in assets under management, all of which was managed on a discretionary basis.

This Disclosure Brochure describes the business of FSA Investment Group. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of FSA Investment Group's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on the firm's behalf and is subject to FSA Investment Group's supervision or control.

Firm Services

FSA Investment Group generally provides clients with wealth management services which include financial planning and consulting services as well as the discretionary management of investment portfolios. Financial planning services may include business planning, investments, insurance, retirement, education, estate planning, and tax and cash flow needs of the client. In addition, the firm may also specifically provide to tribal clients cash management, minor trust, tribal membership benefit, employee benefit and risk management services.

Investment Management

As detailed in Item 8 (below), FSA Investment Group primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), *Independent Managers* (as defined below), and individual debt and equity securities in accordance with the investment objectives of the client. In addition, FSA Investment Group may recommend that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients' investment

objectives. FSA Investment Group may also provide advice about any type of investment held in clients' portfolios as needed. The type of investment varies depending on whether the strategy is provided to an individual or institutional client.

FSA Investment Group also may render investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, FSA Investment Group either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Tribal Member Benefits

The firm understands that tribes have the unique responsibility of providing for their members in ways that other organizations do not. FSA Investment Group assists tribal leaders with creating programs and benefits specifically designed to meet its tribal client needs. This may include advice on health, education, long-term care, loan and grant, death and burial, elder care and deferred compensation benefits.

Employee Benefits

FSA Investment Group advises tribal clients on available employee benefit plans and assists them in determining the appropriate plan to utilize. The firm prepares an analysis including benchmark data, and makes recommendations to assist the client in implementing the plan. The firm works with legal counsel to prepare the plan documents and enrollment package, and meets with plan participants to examine available benefits. FSA Investment Group continues to work with the client to actively administer the plan, and to evaluate the services and performance of third-party administrators.

Risk Management

Through its risk management program, FSA Investment Group offers policy audits, catastrophe modeling, loss stratification and peer benchmarking. The firm first conducts a program analysis, and then focuses on risk control, policy placement, account management and stewardship.

Financing and Business Consulting

The firm provides services regarding financing package development. These services include assisting the client in developing a business and marketing strategy, financial projections, model assumptions and an appropriate budget. The firm then seeks to help the client secure suitable financing for their various business projects.

FSA Investment Group tailors its advisory services to the individual needs of clients. The firm consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors

that may impact the clients' investment needs. FSA Investment Group ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify FSA Investment Group if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon FSA Investment Group's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in the firm's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

In performing its services, FSA Investment Group is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. FSA Investment Group may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if FSA Investment Group recommends its own services. The client is under no obligation to act upon any of the recommendations made by the firm or to engage the services of any such recommended professional, including FSA Investment Group itself. Clients are advised that it remains their responsibility to promptly notify FSA Investment Group if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising the firm's previous recommendations and/or services.

Use of Independent Managers

As mentioned above, FSA Investment Group may recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between FSA Investment Group or the client and the designated *Independent Managers*. FSA Investment Group renders services to the client relative to the discretionary selection of *Independent Managers*. FSA Investment Group also monitors and reviews the account performance and the client's investment objectives. FSA Investment Group receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting an *Independent Manager* for a client, FSA Investment Group reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that FSA Investment Group considers in selecting an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees

charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, the firm's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by FSA Investment Group, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to FSA Investment Group's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than FSA Investment Group. In such instances, FSA Investment Group may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Item 5. Fees and Compensation

FSA Investment Group generally provides its services for a fee based upon the assets under management being managed by the firm. FSA Investment Group may also charge a fixed fee which will be negotiated with the client. Additionally, certain of FSA Investment Group's *Supervised Persons*, in their individual capacities, may offer insurance products under a commission arrangement.

Fees for Tribal Clients

FSA Investment Group provides its services to tribal clients for an annual fee based upon a percentage of the market value of the assets being managed by FSA Investment Group. The firm's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. FSA Investment Group does not, however, receive any portion of these commissions, fees, and costs. FSA Investment Group's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. The annual fee varies (between 0.10% and 1.00%) depending upon the market value of the assets under management and the type of services to be rendered. The firm may also charge a fixed fee to tribal clients depending on the specific services provided. Any fixed fee will be negotiated with the client prior to rendering services.

Fees for Individual Clients

FSA Investment Group provides its services to individual clients for an annual fee based upon a percentage of the market value of the assets being managed by FSA Investment Group. The firm's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. FSA Investment Group does not, however, receive any portion of these commissions, fees, and costs. FSA Investment Group's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous

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quarter. The annual fee varies (between 0.50% and 1.50%) depending upon the market value of the assets under management and the type of services to be rendered.

Fee Discretion

FSA Investment Group, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), FSA Investment Group generally recommends that clients utilize the brokerage and clearing services of an independent broker-dealer for investment management accounts.

FSA Investment Group may only implement its investment management recommendations after the client has arranged for and furnished FSA Investment Group with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to any broker-dealers recommended by FSA Investment Group, broker-dealers directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers*, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to FSA Investment Group’s fee.

Fee Debit

The firm’s *Agreement* and the separate agreement with any *Financial Institutions* authorizes FSA Investment Group or *Independent Managers* to debit the client’s account for the amount of FSA Investment Group’s fee and to directly remit that management fee to FSA Investment Group or the *Independent Managers*. Any *Financial Institutions* recommended by FSA Investment Group have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to FSA Investment Group. Clients may not elect to have FSA Investment Group send an invoice for payment.

Fees for Management During Partial Quarters of Service

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between FSA Investment Group and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. FSA Investment Group's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to the firm's right to terminate an account. Additions may be in cash or securities provided that FSA Investment Group reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to FSA Investment Group, subject to the usual and customary securities settlement procedures. However, FSA Investment Group designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. FSA Investment Group may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

Item 6. Performance-Based Fees and Side-by-Side Management

FSA Investment Group does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

FSA Investment Group generally provides its services to institutions including but not limited to tribes and individuals. However, the firm may also provide advice to pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

Minimums Imposed By Independent Managers

FSA Investment Group does not impose a minimum portfolio size or minimum annual fee for starting or maintaining an account. As stated above in Item 4, however, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than FSA Investment Group. In such instances, FSA Investment Group may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies & Methods of Analysis

Overall, FSA Investment Group's investment approach focuses on creating investment strategies that are designed to meet client's current needs while seeking to ensure the strategy also provides financial strength for future generations. As part of this strategy the Firm may hold large cash positions.

The firm's investment strategy is dependent upon the type of client. For individual clients, the firm primarily invests in mutual funds, ETFs and *Independent Managers*. In limited circumstances, the firm may invest in individual equities depending on a particular client's needs.

For tribal clients, the firm primarily invests in alternative investments, *Independent Managers*, and mutual funds. The firm generally employs a four-step investment process as follows:

- Assisting clients in determining their investment goals and objectives;
- Developing a client profile which identifies risk tolerance, return objectives, target allocations and responsibilities of the tribe's investment committee;
- Implementing the portfolio primarily through *Independent Managers* and funds through a diversified asset allocation approach; and
- Continuously managing the portfolio through a comprehensive performance measurement and monitoring process.

To implement these strategies, FSA Investment Group primary utilizes fundamental analysis and incorporates technical analysis as needed.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. FSA Investment Group will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that FSA Investment Group will be able to accurately predict such a reoccurrence.

Cash Positions

The Firm views excess cash as consistent with client long-term objectives where there are unattractive valuations for most asset classes. The underlying component of FSA Investment Group's investment philosophy is valuation. If the Firm deems an asset to be overvalued, FSA Investment Group holds less of it; conversely if it is undervalued, the FSA Investment Group holds more. Each asset class is assessed through that philosophy. At times when the Firm views valuations as unattractive, resulting in clients losing money, the Firm significantly underweights that asset class and looks to hold other asset classes. When there are few or no asset classes that are deemed any more attractive than fairly valued, the Firm views cash as a suitable temporary place to invest, even for the most aggressive clients. Regardless of the positions, the Firm is conducting continuous and ongoing supervision over these assets to assess investments and potential investments. When valuations become more attractive, cash will be invested at these more attractive valuations

Risks of Loss

Mutual Funds and ETFs

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Use of Independent Managers

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FSA Investment Group may recommend the use of *Independent Managers* for certain clients. FSA Investment Group will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, FSA Investment Group does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

Use of Private Collective Investment Vehicles

As stated above, FSA Investment Group may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called “hedge funds”). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

Market Risks

The profitability of a significant portion of FSA Investment Group’s recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that FSA Investment Group will be able to predict those price movements accurately.

Use of Margin

In limited circumstances, the firm may utilize margin if appropriate for the client. To the extent that a client authorizes the use of margin, and margin is thereafter employed by FSA Investment Group in the management of the client’s investment portfolio, the market value of the client’s account and corresponding fee payable by the client to FSA Investment Group will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client’s decision to employ margin shall correspondingly increase the management fee payable to FSA Investment Group. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client’s portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client’s securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client’s obligations and if the client were unable to provide additional collateral, the broker-dealer could

liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

Cash Positions

The principal concern for individuals investing in cash or cash equivalents is inflation risk, which is the risk that inflation will outpace and erode returns over time. Investing in cash involves the risk of opportunity loss in higher return investments. In a low interest rate environment, Client money may have higher returns in alternative investments.

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Item 9. Disciplinary Information

FSA Investment Group is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. The firm does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

FSA Investment Group is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. The firm has described such relationships and arrangements below.

Registration as Insurance Agency

Affiliated insurance agency, FSA Risk & Benefits, LLC is a duly licensed insurance agency in the State of Alabama. Additionally, certain of the firm's *Supervised Persons*, in their individual capacities, are licensed insurance agents, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that FSA Investment Group or its *Supervised Persons* recommend the purchase of insurance products where the firm or its *Supervised Persons* receive insurance commissions or other additional compensation under FSA Risk & Benefits, LLC.

Item 11. Code of Ethics

FSA Investment Group has adopted a code of ethics in compliance with applicable securities laws ("*Code of Ethics*") that sets forth the standards of conduct expected of its *Supervised Persons*. FSA Investment Group's *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its *Supervised Persons* and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of FSA Investment Group's personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, FSA Investment Group *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client where there may be a potential for conflict, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact FSA Investment Group to request a copy of its *Code of Ethics*.

Item 12. Brokerage Practices

FSA Investment Group generally recommends that clients utilize the brokerage and clearing services of Charles Schwab Advisor Services™ ("*Schwab*") for investment management accounts.

Factors which FSA Investment Group considers in recommending *Schwab* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Schwab* may be higher or lower than those charged by other Financial Institutions.

The commissions paid by FSA Investment Group's clients to *Schwab* comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where FSA Investment Group determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. FSA Investment Group seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist FSA Investment Group in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because FSA Investment Group does not have to produce or pay for the products or services.

FSA Investment Group periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

Software and Support Provided by Financial Institutions

FSA Investment Group may receive without cost from *Schwab* computer software and related systems support, which allow FSA Investment Group to better monitor client accounts maintained at *Schwab*. FSA Investment Group may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at *Schwab*. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit FSA Investment Group, but not its clients directly. In fulfilling its duties to its clients, FSA Investment Group endeavors at all times to put the interests of its clients first. Clients should be aware, however, that FSA Investment Group's receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

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Specifically, FSA Investment Group may receive the following benefits from *Schwab*:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

Brokerage for Client Referrals

FSA Investment Group does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

Directed Brokerage

The client may direct FSA Investment Group in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by FSA Investment Group (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, FSA Investment Group may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Trade Aggregation

Transactions for each client generally will be effected independently, unless FSA Investment Group decides to purchase or sell the same securities for several clients at approximately the same time. FSA Investment Group may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among FSA Investment Group’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which FSA Investment Group’s Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange

Commission. FSA Investment Group does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Item 13. Review of Accounts

Account Reviews

For those clients to whom FSA Investment Group provides investment management services, FSA Investment Group monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom FSA Investment Group provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of FSA Investment Group's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with FSA Investment Group and to keep FSA Investment Group informed of any changes thereto. FSA Investment Group contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Account Statements and Reports

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom FSA Investment Group provides investment advisory services will also receive a report from FSA Investment Group that may include such relevant account and/or market-related information

such as an inventory of account holdings and account performance as clients may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from FSA Investment Group.

Those clients to whom FSA Investment Group provides financial planning and/or consulting services will receive reports from FSA Investment Group summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by FSA Investment Group.

Item 14. Client Referrals and Other Compensation

Other Economic Benefits

FSA Investment Group is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. FSA Investment Group may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

In addition, FSA Investment Group is required to disclose any direct or indirect compensation that it provides for client referrals.

Client Referrals

If a client is introduced to FSA Investment Group by either an unaffiliated or an affiliated solicitor, FSA Investment Group may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from FSA Investment Group's investment management fee, and does not result in any additional charge to the client. If the client is introduced to FSA Investment Group by an unaffiliated solicitor, the solicitor provides the client with a copy of FSA Investment Group's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of FSA Investment Group discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of FSA Investment Group's written disclosure brochure at the time of the solicitation.

Item 15. Custody

FSA Investment Group's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize FSA Investment Group through such *Financial Institution* to debit the client's account for the amount of FSA Investment Group's fee and to directly remit that management fee to FSA Investment Group in accordance with applicable custody rules.

The *Financial Institutions* recommended by FSA Investment Group have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to FSA Investment Group. In addition, as discussed in Item 13, FSA Investment Group also sends periodic supplemental reports to clients as requested by the client. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from FSA Investment Group.

Item 16. Investment Discretion

FSA Investment Group is given the authority to exercise discretion on behalf of clients. FSA Investment Group is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. FSA Investment Group is given this authority through a power-of-attorney included in the agreement between FSA Investment Group and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). FSA Investment Group takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

Item 17. Voting Client Securities

FSA Investment Group is required to disclose if it accepts authority to vote client securities. FSA Investment Group does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

Item 18. Financial Information

FSA Investment Group is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

FSA Investment Group, LLC

Prepared by:

