

**ITEM 1: COVER PAGE**

**Advanced Financial Strategies Inc.**

**5 Hubble**

**Irvine, CA 92618**

**949-502-5333**

**WWW.AFS1.COM**

**As of March 28, 2013**

This Brochure provides information about the qualifications and business practices of Advanced Financial Strategies Inc. ("AFS"). If you have any questions about the contents of this Brochure; please contact us at 949-502-5333 or [Pierre@afs1.com](mailto:Pierre@afs1.com).

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 AFS also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References to our firm as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## ITEM 2: MATERIAL CHANGES

### **Changes Since the Last Update**

This Item of the Brochure will discuss only specific changes that are made to the Brochure and provide clients with a summary of such changes. The last update of our brochure was June 29, 2012. This version of AFS' disclosure brochure, dated March 28, 2013, simply updates AFS' assets under management in Item 4. This is not considered a material change.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

### **Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (949)502-5333 or by e-mail at: [Pierre@afs1.com](mailto:Pierre@afs1.com).

### ITEM 3: TABLE OF CONTENTS

ITEM 1: COVER PAGE .....	i
ITEM 2: MATERIAL CHANGES .....	ii
ITEM 3: TABLE OF CONTENTS .....	iii
ITEM 4: ADVISORY BUSINESS .....	1
ITEM 5: FEES AND COMPENSATION .....	7
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	10
ITEM 7: TYPES OF CLIENTS .....	10
ITEM 9: DISCIPLINARY INFORMATION .....	11
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	11
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING .....	13
ITEM 12: BROKERAGE PRACTICES .....	14
ITEM 13: REVIEW OF ACCOUNTS .....	15
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	16
ITEM 15: CUSTODY .....	18
ITEM 16: INVESTMENT DISCRETION .....	18
ITEM 17: VOTING CLIENT SECURITIES .....	18
ITEM 18: FINANCIAL INFORMATION .....	18

## **ITEM 4: ADVISORY BUSINESS**

### **TYPE OF ENTITY AND SERVICES PROVIDED.**

AFS is a California corporation formed on January 2, 1997. It is owned by Pierre Ngo, who has been in the financial services practice since 1986. Pierre Ngo also serves as the President and Chief Executive Officer of AFS.

As of December 31, 2012, AFS managed \$ \$94,634,310 of which \$ \$71,750,875 is managed on a discretionary basis and \$22,883,435 is managed on a non-discretionary basis.

As discussed below, we offer financial planning and related consulting services, non-investment consulting services, as well as other advisory services, including portfolio management, to a variety of clients. Our clients may include individuals, business entities, trusts, estates, and charitable organizations. You may engage personnel of ours, in their individual capacities as registered representatives and investment adviser representatives, or as independent insurance agents to implement our financial planning and consulting services, on a commission bases. More particularly, AFS provides Comprehensive and/or Modular Financial Planning; Business and Estate Planning; and, Investment Advisory Services as detailed below.

### **Comprehensive Financial Planning**

We may provide financial planning and/or consulting services on a stand-alone basis. These services include advice on investment and non-investment related matters such as estate planning and insurance planning. If you engage us for these services, you enter into an agreement with us setting forth the terms and conditions of our arrangement and you will receive a written report and/or a detailed financial plan.

The process of creating a financial plan usually involves, but is not limited to: (1) establishing and defining your advisor relationship; (2) gathering relevant data about you, including your goals and objectives; (3) analyzing and evaluating your current financial status; (4) developing and presenting financial planning recommendations or alternatives; (5) implementing the financial planning recommendations approved by you; (6) monitoring the implementation of the financial planning recommendations approved by you; and (7) periodically reviewing and adjusting the financial planning recommendations.

We gather required information through in-depth personal interviews. Information gathered includes details about your current financial status, your short-term goals and objectives, your retirement goals and ambitions, and your attitudes towards risk of loss in your investments. We also evaluate your anticipated cash needs at death, your income in the event of your disability, and the income needs of your surviving dependents. We may review your family records, budget, personal liabilities, and income tax records. We review the documents you supply carefully and in confidence. We then prepare a written summary of a comprehensive financial and investment plan for you.

It is entirely up to you to decide whether or not to implement some or all of the proposed financial plan. If you so desire, however, we can implement those advisory recommendations for a separate and customary compensation. Pierre Ngo will assist you acting in his separate capacity as a registered representative of Capital Synergy Partners, Inc. AFS, doing business as: Aspen Financial and Insurance Services will assist you with insurance matters. Should you choose to implement the recommendations contained in the plan, we can also provide advice on non-securities matters. Generally, we do this in connection with rendering estate planning, estate administration, business planning, and insurance services. However, any utilization of these individuals, in their separate capacity as registered representatives and/or as independent insurance agents is completely at your discretion.

**Modular Financial Planning:** Apart from or in addition to the comprehensive financial planning services described above, AFS provides modular, in-depth, analysis of the following:

- 1. Cash Flow Management Analysis:** Reviewing income and expense items with the objective of meeting your goals, which may involve making adjustments, changing priorities, or establishing a new monthly budget.
- 2. Estate Planning:** Identifying assets that might be included in your estate and analyzing the control, disposition, and taxation of those assets. Proposing changes for review with your attorney and or tax counsel to strive to accomplish the following:
  - Coordinating an effective method of disposition of your estate.
  - Minimizing the impact of income, estate, and gift taxes.
  - Ensuring that your estate will have sufficient liquidity to pay taxes.
  - Minimizing the emotional and financial burden of your beneficiaries.
  - Providing for the administration of your estate.
- 3. Risk Management:** Analyzing your financial exposure relative to mortality, disability, or long-term care needs. We will also work in conjunction with your other insurance brokers or advisors regarding liability, business, and property insurances. We will assess your insurance needs, review insurance policies and summarize costs and benefits to ensure up-to-date coverage of risk and that your needs are met. AFS may also refer clients to a specialist; or, work with your current agent/broker for advice pertaining to liability, business, and/or property insurance policy coverage. AFS does not receive compensation for the referral to a specialist.

- 4. Retirement Planning:** We will assess your income needs during retirement and develop a plan to meet those needs. The process involves the following steps:
- Estimating future needs in today's dollars;
  - Calculating that amount in future dollars based on inflation rate assumption;
  - Estimating your expected income from social security, employee retirement plan and other sources;
  - Calculating the additional amount needed to provide you with adequate income for the future;
  - Analyzing the alternatives and tax implications of various retirement plans and their funding vehicles and/or distributions at retirement age; and
  - Recommending appropriate investment vehicles to meet your goals.
- 5. College Planning:** We will analyze the expected financial requirements of the future cost of college and establish a plan to pay those expenses.
- 6. Real Estate:** Assisting you in analyzing economic and tax reasons for buying, selling, or financing property in which you have an interest.
- 7. Business Planning:** Analyzing and recommending the form of business entity (*e.g.*, S or C corporation, partnership, limited liability company, *etc.*) best suited for your current or future business, analyzing your current and possible future business needs in conjunction with your attorneys and tax advisors (*e.g.*, buy-sell agreements, shareholder agreements, employment agreements, deferred compensation arrangements, *etc.*), analyzing your employee benefit needs (*e.g.*, company group health, life, long-term care and disability insurance, 401(k) and retirement plans, employee stock option plans, *etc.*), and evaluating the possible tax consequences and economic impact of the foregoing on your business.

### **OTHER ADVISORY SERVICES**

#### **AFS Asset Management Services.**

You may contract directly with AFS to provide direct investment management services. Such services consist of analyzing your assets, goals, and risk tolerance and directing the investment of your assets in order to achieve those goals.

AFS utilizes long-term, strategic asset allocation to assist you in meeting your investment objectives. We then make short-term, tactical changes to the amount we invest on your behalf in different classes of assets as market conditions dictate. You will complete an Investor Risk Profile Questionnaire to determine which of the following Five (5) investment profiles are appropriate for you: (1) Aggressive Growth, (2) Growth, (3) Moderate Growth, (4) Conservative Growth, and (5) Emphasis on Income. Each investment profile defines a different time horizon, return goal, and risk tolerance. In turn, your investment profile dictates the portfolio structure. Each of the foregoing investment profiles are described within the Risk Profile Questionnaire. Additionally, we may also customize your investment strategy and profile to achieve your specific needs and desires. Your investment account(s) will then be managed in accordance with the asset allocation investment strategy and investment profile(s).

Strategic asset allocation consists of diversifying your portfolio among various asset classes specifically including, but not limited to: stocks, bonds, mutual funds (including exchange traded funds (ETF)), and money market instruments. We monitor your portfolio, and tactically allocate the amount invested in various asset classes in response to the changing market environments and in accordance with your own, personal degree of risk tolerance and investment objective(s).

### **Selection and Due Diligence of Third-Party Money Managers**

In addition to direct asset management services, AFS also provides personal advisory services with respect to certain qualified clients who participate in investments via third-party money management services. AFS will formulate a comprehensive investment strategy tailored to meet your own, personal goals and objectives. AFS then selects the money manager who can best implement your investment strategy. AFS will periodically review the performance and investment style of your money managers and, when appropriate, may recommend other managers.

### **Managed Accounts Program (MAP)**

AFS participates in a Managed Accounts Program (MAP) sponsored by TD Ameritrade and Envestnet Asset Management, Inc. ("Envestnet"). This program provides our clients with access to institutional money managers and their expertise. Outside of MAP, such managers are usually only available to investors with much higher account minimums. These managers (using their own proprietary methodologies) invest in a wide range of asset classes and use multiple investment strategies.

### **Neiman Capital Management (Neiman)**

Certain of our clients may be referred to Neiman, a third-party money manager and registered investment advisor which affords selected clients the opportunity to take advantage of "tactical market asset allocation" on a rotating basis as opposed to a more

passive strategic asset allocation modeling. If you participate in this program, Neiman will construct an initial strategic asset allocation for you. Neiman will then strive tactically to reallocate (*i.e.*, restructure) client portfolios, as needed. Among other things, Neiman rotates client assets out of weakening asset classes and into strengthening asset classes based on the actual movements of the market. Assets are repositioned, regardless of style or asset class, based on current market conditions. Client assets invested with Neiman will be held in the custody of Fidelity Investments. AFS receives compensation from Neiman in the form of solicitation fees for such referrals.

### **Qualified Plan Consulting Services**

AFS provides qualified plan consulting services to certain qualified retirement plans. As part of this advisory service, AFS typically provides the following consulting to plan sponsor/trustee(s) (although some plan clients may select only a few of these options):

- Define the plan sponsor/trustee(s) goals and objectives.
- Research and provide recommendations of other service providers to the plan sponsor/trustee(s) for selections to set up a qualified plan.
- Assist the plan sponsor/trustee(s) in designing the plan with a third-party administrator (“TPA”).
- Assist the plan sponsor/trustee(s) on the selection of the investments that are offered through a menu of investment choices by the service providers.
- Assist the plan sponsor/trustee(s) to monitor the services of other service providers.
- Provide support to the plan sponsor/trustee(s) for Department of Labor (DOL) and IRS audits.
- Provide relevant information to the plan sponsor/trustee(s) and assist in monitoring the plan’s investment options.
- Assist the plan sponsor/trustee(s) by conducting enrollment meetings and education seminars for plan participants.
- Assist the plan sponsor/trustee(s) in meeting participants needs and suggest recommendations for changes when necessary.

For a select number of qualified plan clients, AFS also provides a separate service whereby it assists the plan sponsor/trustee(s) in the collection of year-end reporting data and provides such data to the plan’s third-party administrator (“TPA”) to enable the TPA to file certain required tax documents on behalf of the plan.

### **Investment Alternatives**

Where necessary and appropriate, AFS investment advisory representatives (“IARs”), in their capacity as registered representatives of Capital Synergy Partners, Inc., a FINRA-



Registered Broker-Dealer, may recommend to you a wide range of investment alternatives including a variety of variable annuities. AFS will assist you in evaluating how a particular variable annuity and its features fit your individual needs and objectives. An important component of any variable annuity screening and selection process includes carefully reading the variable annuity product prospectus and the variable annuity investment sub account prospectuses before making a purchase decision. Each prospectus contains important information which will help you make an informed choice.

AFS will provide you with the variable annuity product prospectus and literature containing the variable annuity investment sub account prospectuses. AFS will also answer your questions such as how the variable annuity investment sub accounts are priced, questions regarding the guaranteed benefits and optional riders available as well as all fees and related expense associated with purchasing and owning a variable annuity as an investment vehicle.

If we manage your money through a variable annuity contract, we will receive compensation from the annuity companies or their affiliates which sponsor the variable annuity contract. The payments from these companies to AFS are intended to cover expenses associated with servicing and managing your accounts. Clients will not be billed for any additional investment management fees by AFS other than the internal variable contract fees and related expenses. You should also be aware that different share classes of variable annuities will usually have different associated ongoing expenses. AFS may receive more or less initial and ongoing compensation depending on the variable annuity share class you elect.

You should consider the investment objectives, risks, charges, and expenses of variable annuities carefully before investing. The prospectus for each annuity contract contains this and other important information. Prospectuses for both the variable annuity contract and the underlying funds are available from AFS. You should read them carefully before investing.

Variable Annuities, issued by insurance companies, are long-term investment alternatives designed for retirement purposes. Withdrawals of taxable amounts are subject to income tax and, if made prior to age 59 ½, may be subject to a 10% federal tax penalty. An investment in variable annuities involves risk, including possible loss of principal. The contracts, when redeemed, may be worth more or less than the original investment.

## **ITEM 5: FEES AND COMPENSATION**

### **Comprehensive and Modular Financial Planning, Business and Estate Planning**

1. We will charge you for all Comprehensive and Modular Financial Planning, Business and Estate Planning services at the following rates:
  - \$250.00 per hour for all work performed by Pierre Ngo
  - \$150.00 per hour for all work performed by a certified financial planner
  - \$100.00 per hour for all work performed by Registered Paraplanners, and
  - \$65.00 per hour for all work performed by Administrative Staff
2. We will inform you of the total number of hours anticipated to complete the project. All outstanding fees shall be due and payable within thirty (30) days from the date when we present the plan to you. In the event that you do not pay all fees billed within such thirty (30) days, a late fee of 1% per month (or the maximum legal rate, whichever is less) will be added to your statement on the unpaid balance. You or we may terminate our service at any time by written notice, but you will remain liable for all services rendered through the effective date of the termination.

### **AFS Asset Management Services**

The AFS asset management fee shall be computed in accordance with the following schedule:

*Applicable to the following Portfolios: Aggressive Growth, Growth, and Moderate Growth*

<b>Account Size</b>	<b>Annual Fee</b>	<b>Quarterly Fee</b>
First \$250,000	1.000%	0.250%
Next \$250,000	0.875%	0.219%
Next \$500,000	0.750%	0.188%
Next \$1,000,000	0.625%	0.156%
Next \$3,000,000 + over	0.500%	0.125%

*Applicable to the following Portfolios: Conservative Growth*

<b>Account Size</b>	<b>Annual Fee</b>	<b>Quarterly Fee</b>
First \$250,000	0.625%	0.156%
Next \$250,000	0.500%	0.125%
Next \$500,000+ over	0.375%	0.094%

*Applicable to the following Portfolio: Emphasis on Income*

<b>Account Size</b>	<b>Annual Fee</b>	<b>Quarterly Fee</b>
First \$500,000	0.375%	0.094%
Over \$500,000 +	0.250%	0.0625%

### **Third-Party Money Managers**

AFS participates in solicitation agreements in “Wrap Programs” (all-inclusive fees) such as the MAP Program sponsored by TD Ameritrade, which executes trades through and maintains investment assets in the custody of Fidelity Investments. As disclosed above, AFS also refers clients to Neiman Capital Management, and receives solicitation fees from Neiman for such referrals.

We charge clients who invest in Wrap Programs an investment management fee for services which include: client profiling, strategic asset allocation, style allocation, research and evaluation of asset managers, ongoing monitoring of manager and account performance, asset manager hiring and termination, account rebalancing, account reporting, and other operational and administrative services.

In addition to the fees charged by the third-party money managers, AFS will also layer its fees for due diligence, selection, and ongoing monitoring of any third-party money managers recommended to clients. Such fees generally range from 0.375% to 1.00% of assets under management.

If you choose to invest any of your assets through a third-party money manager, AFS will present you with the third-party money manager’s disclosure document (Schedule H), pursuant to SEC Rule 203(b)-1, together with a separate Disclosure Statement, pursuant to SEC Rule 206 (4)-3.

We strongly urge that you read such documents and that you ensure that you understand them before you approve the use of any third-party program which we may recommend. The particular investment profiles used by the institutional money managers and the fees they charge and share with AFS are detailed in such disclosures.

### **Qualified Plan Consulting Services**

AFS typically receives a service fee ranging up to 0.50% of the plan asset for its qualified plan consulting services. The fee agreed upon between the client and AFS and the formula for determining the amount of asset base service fee and the manner of payment are disclosed in the selected custodian's Plan Services Agreement/Supplemental Information Guide.

If a plan client has opted to utilize AFS to assist in the collection of year-end data for the plans TPA, AFS charges an hourly fee ranging from \$65/hour to \$250/hour, depending on the AFS individual performing the work. Such fees are due and payable in arrears upon completion of the service.

## **GENERAL INFORMATION ABOUT FEES**

### **AFS Asset Management Services**

As provided for in the advisory agreement that you sign with AFS, AFS deducts its advisory fees from your custodial account. Management fees, which are payable quarterly in arrears, are calculated as a percentage of each account(s). This fee will be based upon the total value of each account(s) under management, computed as of the last business day of the calendar quarter. We will usually deduct those fees from your account(s) in the first week after the preceding billable quarter.

The fees which we charge are not calculated charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory Client (SEC Rule 205(a)(1)). We will not make any pro rata adjustments for additions or withdrawals during the quarter, but we will prorate the fees if the entire account is opened or closed in the middle of the quarter.

### **Third-Party Money Managers**

For a description of the fees charged and methodologies used by third-party money managers, you must refer to their separate ADV Part 2A and/or Schedule H, Wrap Disclosure documents. We do not promise or guaranty that the disclosures by any third parties are accurate or complete.

TD Ameritrade and Fidelity may have transaction fees on the purchase and sale of certain mutual funds or exchange traded funds ("ETF"). Also, most mutual funds impose a short

term redemption fee. Please refer to the fund's prospectus for a more complete description. These transaction fees, if any, are separate and distinct from the management fees we charge. You should review both the fees charged by the mutual funds and the fees charged by AFS to fully understand the total amount of fees which you will paid and to evaluate the nature and cost of the advisory services being provided.

#### **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge any performance-based fee (separate fees charged on a share of capital gains in addition to asset-based fees) on accounts "side-by-side" with asset-based fee accounts.

#### **ITEM 7: TYPES OF CLIENTS**

We provide portfolio management services to individuals, including high net worth individuals, as well as pension and profit-sharing plans. We generally require a minimum account size of \$250,000. We may, however, make exceptions to the minimum account size on a case by case basis.

#### **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

##### **Methods of Analysis and Investment Strategies**

We will attempt to respond to various market conditions utilizing macro economics, technical analysis, and other analytical methods we deem appropriate in order to take advantage of opportunities and reduce volatility through different market conditions, while optimizing the risk adjusted return. AFS utilizes mutual funds (including ETFs) as the primary investment vehicle to accomplish this goal. You should not assume that future performance of any of your specific investments, including those which we recommend, will be profitable or equal any specific performance levels.

While the goal is to achieve your investment profile objective, AFS may, at its discretion, utilize mutual funds which move inversely to the market as part of a hedging strategy, either to reduce volatility in a down market or to have a short position in an attempt to profit in a down market. As with any investment strategy, there is a risk in hedging or having a short position. This is because, if the market increases, the portfolio using this strategy, instead of making a profit, may stay neutral or may even suffer a loss.

Changes in your financial situation, family circumstances, goals, or investment objectives might cause us to review, reevaluate, or revise our previous recommendations and/or the

services we provide to you. Fluctuations in the value of your assets are normal. Even extreme fluctuations are not uncommon. Therefore, we cannot determine whether any adjustment is actually needed unless and until you notify us of a material change in your circumstances. You are solely responsible for promptly notifying us of such changes.

### **Risk of Loss**

#### **INVESTING IN SECURITIES INVOLVES INHERENT RISKS OF LOSS WHICH YOU MUST BE PREPARED TO BEAR.**

We cannot guarantee the profitability of any investment strategy. All investments present the risk of loss of principal, *i.e.*, the risk that the value of securities (mutual funds, ETFs, stocks and bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

Additional information about the risks of any particular investment can be reviewed in that investment's disclosure documents.

### **ITEM 9: DISCIPLINARY INFORMATION**

AFS is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of AFS or the integrity of AFS 'management. Our firm has not been the subject of any disciplinary action.

### **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

#### **Capital Synergy Partners, Inc., a FINRA-Registered Broker-Dealer**

Pierre Ngo, President of AFS, is a registered representative of Capital Synergy Partners, Inc., a FINRA-registered broker-dealer. (FINRA stands for the **F**inancial **I**ndustry **R**egulatory **A**uthority, an independent regulator for all securities firms doing business in the United States.) As a registered representative, Mr. Ngo is licensed to sell general securities through Capital Synergy Partners, Inc. Accordingly, FINRA rules together with Capital Synergy Partners, Inc.'s policies require that the purchase or sale of any securities or variable products by Mr. Ngo must be placed exclusively through Capital Synergy Partners, Inc. In this capacity, Mr. Ngo can implement securities transactions for clients, for which Mr. Ngo may receive customary compensation from Capital Synergy Partners, Inc. that is in addition to the compensation Mr. Ngo receives from you.

We anticipate that you will use Mr. Ngo and Capital Synergy Partners, Inc. to implement transactions in variable life and/or annuity or other securities products, for which Mr. Ngo will receive customary industry commissions.

These commissions create a potential conflict of interest in AFS and/or Mr. Ngo recommending that you purchase or sell securities through Capital Synergy Partners, Inc. You are not, however, ever obligated to use Mr. Ngo and/or Capital Synergy Partners, Inc. to implement these transactions.

### **Aspen Financial & Insurance Services**

Pierre Ngo (as an individual) and AFS (doing business as Aspen Financial & Insurance Services) are both licensed by the California Department of Insurance and certain other state insurance departments to sell the insurance products of any insurance company licensed by those states, for which Mr. Ngo and/or AFS, as the case may be, would receive customary industry commissions. These commissions create a potential conflict of interest in AFS and/or Mr. Ngo recommending that you purchase any insurance products. You are never, however, obligated to use Mr. Ngo and/or AFS to purchase insurance products.

### **EverBank**

AFS has an agreement in place with EverBank whereby AFS receives compensation for referring clients to EverBank. The amount of compensation depends on which EverBank service you utilize (checking, CD's, credit card etc.). AFS does not charge an advisory fee on any assets where it receives a fee from EverBank. The receipt of this compensation may, however, create a conflict of interest in that AFS may recommend you to EverBank for its services instead of other similar institutions that might offer similar services. You are not, however, ever obligated to use the services of EverBank in any capacity.

### **Real Estate Loan Origination**

Pierre Ngo (as an individual) and AFS are licensed by the California Department of Real Estate as real estate brokers. In this capacity, Mr. Ngo and AFS can assist you in arranging for real estate loans, SBA loans, and other business financing needs (including commercial and residential real estate loans), for which Mr. Ngo and/or AFS would receive customary industry commissions.

Mr. Ngo is a loan officer for Catalyst Lending, Inc., a real estate financing company. Mr. Ngo and AFS may recommend the loan services of Catalyst Lending, Inc. or other lending sources to advisory clients. If you use Catalyst Lending, Inc., or other lending sources recommended by Mr. Ngo or AFS, then Mr. Ngo or AFS may receive separate and customary compensation from Catalyst Lending, Inc. or the other lending source. You are not, however, ever obligated to use the services of Catalyst Lending, Inc., AFS, and/or Mr. Ngo for loan services.

Neither Mr. Ngo nor AFS recommend Catalyst Lending, Inc. for all real estate loans. There may be a potential conflict of interest in AFS and/or Mr. Ngo recommending that you enter into any loan or real estate transaction. You are not, however, ever obligated to use the services of AFS, and/or Mr. Ngo for any loan services.

Additionally, neither Mr. Ngo nor AFS will ever recommend that you take out a real estate loan in order to place the borrowed funds under AFS's management. Where appropriate, however, AFS and/or Mr. Ngo may suggest the use of loans for debt consolidation or to achieve a client's financial and/or estate planning goals.

#### **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

We have adopted a Code of Ethics expressing our commitment to ethical conduct. Our Code of Ethics describes the fiduciary duties and responsibilities which AFS and its employees owe to clients. It sets forth AFS's practice of supervising the personal securities transactions of employees with access to client information. Our Code of Ethics also requires our representatives to comply with federal securities laws, safeguard material non-public information about client transactions and to report their personal securities holdings. Our Code of Ethics is based upon the fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics upon request. We also maintain and enforce written policies to help prevent the misuse of material non-public information by us and our associated persons.

We do not, nor do any of our representatives, recommend, buy, or sell for client accounts, securities in which we or any related person has a material financial interest.

We and our representatives may buy or sell securities we recommend to you. This practice could create a conflict of interest since we and our representatives are in a position to materially benefit from the sale or purchase of those securities. Abusive practices, such as "scalping" and "front-running," could take place if we did not have adequate policies and procedures in place to detect such activities. Scalping is selling a security for a profit immediately after a recommendation to purchase that security. Front-running is trading personal accounts prior to trading client accounts. Individuals associated with AFS may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the express policy of AFS, however, that no director, officer, or employee of AFS shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients.

To supervise compliance with its Code of Ethics, AFS requires that anyone associated with this advisory practice who makes or has access to advisory recommendations provide



annual securities holding reports and quarterly transaction reports to the firm's principal. AFS also requires such access persons to receive approval from Mr. Ngo prior to investing in any IPO's or private placements (limited offerings).

A director, officer, or employee of AFS shall not buy or sell securities for his or her personal portfolio(s) where the decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No director, officer, or employee of AFS shall prefer his or her own interest to that of the advisory client.

We maintain a list of all securities holdings for ourselves and anyone associated with this advisory practice who makes or has access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of AFS.

1. All clients are fully informed that AFS and certain individuals may receive separate compensation when effecting transactions during the implementation process.
2. We emphasize your unrestricted right to decline to implement any advice rendered, except in situations where we are granted discretionary authority of your account.
3. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to termination.
5. Our Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline, including termination.

We will provide a complete copy of our Code of Ethics to you upon request.

## **ITEM 12: BROKERAGE PRACTICES**

### **TD Ameritrade Institutional**

AFS participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), a member of FINRA/SIPC/NFA. TD Ameritrade is an independent [and unaffiliated] SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance, and settlement of transactions.

AFS receives some benefits from TD Ameritrade through its participation in the program.

Assets in the Managed Account Program are usually held at TD Ameritrade. Investments in the Neiman Funds are held at Fidelity Investments. These firms have been selected due to their competitive commission rates as well as services which they provide to independent investment advisors. Our clients may benefit from lower commission charges than are available to these companies' own retail clients. AFS does not have the authority to change the commission rates which are set by "load" mutual fund companies.

AFS generally does not aggregate any client transactions in mutual fund or other securities. Client accounts are individually reviewed and managed, and transaction costs are not saved by aggregating orders in almost all circumstances in which AFS arranges transactions.

Although you are not required to use a custodian selected by AFS, your choices may impact our ability to serve you. By directing us to use a particular broker or dealer, you should understand that we do not have authority to negotiate commissions, best execution may not be achieved, and a disparity in commission charges may exist between the commissions charged to other clients of AFS or the broker.

### **ITEM 13: REVIEW OF ACCOUNTS**

#### **Reviews: Asset Management Services**

Your account is individually reviewed by trained staff on a regular basis. Additionally, your account is reviewed when there is a change in your needs or financial goals. Mr. Ngo is responsible for reviewing all accounts on a continuous basis. AFS reviews all Asset Management accounts regularly to ensure that the investments reflect your goals and risk tolerance.

While we review all accounts, we do not direct the day-to-day investment decisions of the institutional money managers which you or we may select. You will receive periodic statements from the custodian, which will include all transactions in their account, the current investments owned, and the total value of investments.

Upon request to AFS, we will provide you with comprehensive performance updates, which includes a breakdown of AFS' fees. We recommend that you verify and reconcile any portfolio information which we send to you with the account statements which you receive from their third-party designated custodian.

#### **Reviews: Third-Party Management Services**

We monitor the performance reports of all third-party money managers in order to ensure that they continue to meet their performance benchmarks as well as the investment goals, objectives and risk tolerance of our clients.

## **REPORTS:**

### **Asset Management Services**

You will receive trade confirmations as well as monthly and/or quarterly statements from the custodian, which will include all transactions, the current investments owned, and the total value of investments. Upon request, we will provide you with periodic comprehensive performance updates.

### **Third-Party Money Managers**

You will receive trade confirmations, account statements, and portfolio appraisal reports as provided by the various third-party money managers and/or their custodians.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **Cash Payments for Client Solicitations**

Although we do not compensate individuals as “Solicitors” (as defined in SEC Rule 206(4)-3), Mr. Pierre Ngo, the owner of AFS, also owns a business interest in Hubble, LLC, the owner of the business building where AFS is located. The owners of Abregov Parrino, LLP, a CPA firm, also own a business interest in Hubble, LLC and reside at the same location. Abregov Parrino, LLP and AFS occasionally refer clients to each other when appropriate. Referred clients are not obligated to engage Abregov Parrino, LLP or AFS at any time. AFS does not compensate Abregov Parrino, LLP for any referral of its clients nor does Abregov Parrino, LLP compensate AFS for any clients which it refers.

### **OTHER COMPENSATION**

#### **TD Ameritrade’s Institutional Customer Program**

As disclosed above, AFS participates in TD Ameritrade’s institutional customer program and your Advisor may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give you, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount):

Receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving the clients of AFS; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to the accounts of our clients); the ability to have advisory fees deducted directly from our clients' accounts; access to an electronic communications network for our client's order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to AFS by third-party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by AFS' related persons. Some of the products and services made available by TD Ameritrade through the program may benefit AFS but may not benefit you. These products or services may assist AFS in managing and administering the account of our clients, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by AFS or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

As part of its fiduciary duties to clients, AFS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by AFS or its related persons in and of itself creates a potential conflict of interest and has the potential to indirectly influence our choice of TD Ameritrade for custody and brokerage services.

In addition, where appropriate, AFS may recommend products of various companies, whereby AFS may receive any of the following goods or services: research materials, account record keeping, on-line financial information, publications, data processing, and receipt of duplicate client confirmations. The benefits received through participation in these programs do not depend upon the number of transactions directed to these firms.

Companies may, from time to time, grant incentive awards to our President based upon his recommendation/introduction of investment and insurance products, as well as commissions from investments by the clients of AFS in variable products. Our investment advice to you will be based upon your specific needs. In such instances, however, our receipt of these goods and services may be deemed to affect AFS's judgment in recommending products to you. Persons related to AFS, or employees of AFS, may have positions in, or buy or sell securities identical to those recommended to you for your personal accounts. Client purchases and sales are usually, but not always, completed concurrently with purchases and sales by the foregoing persons and entities.

### **ITEM 15: CUSTODY**

You will receive statements from the broker dealer, bank, or other qualified custodian which holds and maintains your investment assets at least once every quarter. We urge you to review such statements carefully and to compare such official custodial records to the account statements which we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. AFS does not maintain custody of client funds or securities.

### **ITEM 16: INVESTMENT DISCRETION**

While you always have the right to select the securities to be managed in consultation with us, you may also give us written authority to determine the securities to be bought or sold and the amount of the securities to be bought or sold on your behalf without our first obtaining your specific consent to any such particular transaction. Any limits on this discretionary authority must be included in a written authority statement. You may change or amend these limitations at any time by giving written notice of the changes to AFS.

### **ITEM 17: VOTING CLIENT SECURITIES**

As a matter of firm policy and practice, AFS does not vote proxies on behalf of its advisory clients. Such clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. AFS may, however, provide advice to clients regarding your voting.

### **ITEM 18: FINANCIAL INFORMATION**

We do not solicit fees of more than \$1,200.00/per client six (6) months or more in advance. We have no financial commitment which impairs our ability to meet contractual and fiduciary commitments to clients as they become due. We have not been the subject of a bankruptcy proceeding.

## PRIVACY STATEMENT

*AFS is committed to safeguarding the confidential information of its clients. We hold all personal information provided to our firm in the strictest confidence. These records include all personal information that we collect from you in connection with any of the services provided by AFS. We have never disclosed client's personal information to non-affiliated third parties, except as permitted by law, and do not anticipate doing so in the future. If we were to anticipate such a change in company policy, we would be prohibited under the law from doing so without advising you first. As you know, we use the health and financial information that you provide to us to help you meet your personal financial goals while guarding against any real or perceived infringements of your rights of privacy. Our policy with respect to personal information about you is listed below.*

- We limit employee and agent access to your personal information to only those who have a legitimate business or professional reason for knowing, and only to non-affiliated parties as permitted by law. (For example, federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf, or so that our company can discuss your financial status with your accountant or lawyer.)*
- We maintain a secure office and computer environment to ensure that your information is not placed at unreasonable risk.*
- The categories of non-public personal information that we collect from our clients depends upon the scope of your engagement. It will include information about your personal finances, information about your health (to the extent that it is necessary for the planning process or insurance purposes), information about transactions between you and third parties, and information from consumer reporting agencies.*
- For non-affiliated third parties who require access to your personal information, including financial services companies, consultants, and auditors, we also require strict confidentiality in our agreements with them and expect them to keep this information private. Federal and state regulators may review our records when and as permitted by law. As permitted by law, we may disclose your personal information to brokerage companies, insurance companies, banks and financial institutions, and other non-affiliated third parties in order to effect, administer, or enforce a transaction that you request or authorize.*
- We never provide your personally identifiable information to mailing list vendors or solicitors.*
- Personally identifiable information about you will be maintained during the time you are our client and for the time thereafter that such records are required to be maintained by federal and state securities laws, consistent with CFP Board Code of Ethics and Professional Responsibility. After this required period of record retention, we will destroy all such information.*

- *You have the right to request that we not share any information with anyone else except when required by law. If you desire that we refrain from sharing such information, you must notify us in writing to our business address or via e-mail to [Pierre@afs1.com](mailto:Pierre@afs1.com).*