

Part 2A of Form ADV: Firm *Brochure*

Item 1 Cover Page



Grunden Financial Advisory, Inc.

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This brochure provides information about the qualifications and business practices of Grunden Financial Advisory, Inc. If you have any questions about the contents of this brochure, please contact us at 940.591.9007 and/or rgrunden@grunden.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 Grunden Financial Advisory, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

A "registered investment advisor" or describing oneself as being "registered" does not imply a certain level of skill or training. A registered investment advisor is simply one who has registered their advisory practice with the appropriate legal agencies.

Item 2 Material Changes

Removal of life settlements. On December 21, 2011, The Wall Street Journal published “Odds Skew Against Investors in Bets on Strangers’ Lives”, an article that cast doubt on the life expectancy calculations of these offerings.

<http://online.wsj.com/article/SB10001424052748704694004576019344291967866.html>

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Item 4 Advisory Business

4.A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

Ricky Lee Grunden, Sr. DOB: May 21, 1951

Ricky Grunden, Sr. received his Certified Financial Planner® designation in 1988. He also received the Accredited Investment Fiduciary® in March 2011. Early in his career he successfully passed the North American Securities Division (NASD) Investment Company and Variable Contracts Representative Series 6 exam, the NASD Direct Participation Program Representative Series 22 exam, and the NASD Uniform Securities Agent State Law exam in 1982. In 1984, he passed the NASD General Securities Representative Series 7 exam. In 1970 he attended Galveston Community College and was then enrolled in General Business Studies at the University of North Texas from 1970-1973 and 1989.

Ricky Grunden entered the financial services industry through the life insurance business in 1974, moved to financial planning in 1980, money management in 1992, and comprehensive wealth management in 2001, where he introduced "The Age 100 Growth PlanSM".

He founded Grunden Financial Advisory, Inc. on December 22, 2002, where he serves as President and CEO as well as Chief Compliance Officer (CCO) and owns 100% of the company. Prior to Grunden Financial Advisory, Inc., Ricky Grunden owned Ricky Grunden Investment Advisors from 2001-2002, and from 1986 to 2000 was Vice President, Secretary and Director of Rhoads Grunden Lucca Capital Management, Inc.

David Ashley Ragan DOB: July 6, 1979

Dave Ragan received his Certified Financial Planner® designation in 2006 and is also one of the youngest advisors to pass the CFP® exam on his first attempt. He graduated cum laude with a Bachelor of Business Administration Degree in Financial Planning in 2003.

Dave entered the financial services industry in July 2002 where he was employed by Carter Advisory Services in Dallas, TX until 2003 when he launched his financial planning career with Grunden Financial Advisory, Inc. in June of 2003. Dave also serves as the firm's Financial Planning Specialist for the last eight years. In addition to his responsibilities at Grunden, Dave teaches financial planning at the University of North Texas.

4.B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

Grunden Financial Advisory, Inc. (Grunden, we, us, our) offers Investment Supervisory Services and Asset Allocation Services to advisory clients. We provide these services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations. We manage advisory accounts on a discretionary basis and each client will have the opportunity to place reasonable restrictions on the types of investments to be held in the client's portfolio(s). Clients retain ownership of all securities; Grunden does not maintain custody of any client asset.

INVESTMENT SUPERVISORY SERVICES

Grunden provides Investment Supervisory Services defined as giving advice to a client or making investments for a client based on the individual needs of the client. For example, creating a life time income program through ladder bond investments, high yielding dividend stocks, or holding company stock, or buying and holding individual securities. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we make investments based on the client's individual needs. Account supervision is guided by the stated objectives of the client (i.e., create a life time income, create high yielding portfolio of dividend stocks, hold company stock, or buy high risk individual stocks.)

ASSET ALLOCATION SERVICES

Grunden manages investment advisory accounts not involving Investment Supervisory Services. Based on the client's personal circumstances, such as risk/reward tolerance and personal financial goals and objectives, we will recommend a model portfolio of investments to the client. Each portfolio is designed to meet a particular investment goal which, in consultation with the client, Grunden has determined is suitable to the client's circumstances. Once the appropriate portfolio is selected, the portfolio will be continuously managed based on the portfolio's goal, rather than on each client's individual needs. We expect the portfolio goal to complement the client's financial goals and objectives. Asset Allocation portfolios typically consist of mutual funds and / or exchange traded funds.

Additionally, we will ensure that the following conditions are met within the asset allocation accounts.

- 1) We will manage each client's account on the basis of the client's financial situation and investment objectives and any reasonable investment restrictions the client may impose;
- 2) We will obtain sufficient client information to be able to provide individualized investment advice to the client. On at least a quarterly basis, we will notify the client in writing, by email, or print to contact us in writing if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions. These notifications will include the means through which contact shall be made to Grunden;
- 3) We will be reasonably available to consult with the client;
- 4) Each client is able to impose reasonable investment restrictions on the management of the account;
- 5) Each client will receive a monthly statement with a description of account activity from their respective custodian; and,
- 6) Each client will retain ownership of the securities and funds in the account, e.g., the ability to withdraw securities, vote securities, among others.

WEALTH MANAGEMENT CONSULTING PROCESS

Grunden also provides advice in the form of wealth management and financial planning. Clients qualifying for and requesting this service will receive a written analysis designed to aid in achieving their desired financial goals. Clients who place \$1 million of assets under management qualify for wealth management and financial planning for no additional planning and consulting fees. The wealth management process is primarily focused on helping clients achieve their financial goals through wealth enhancement, wealth transfer, asset protection, and charitable planning. We gather required information through in-depth personal interviews. Information gathered includes client's current financial status, future goals, and attitudes towards risk. Related documents supplied by the client are reviewed and a written report is prepared. Should a client choose to implement the recommendations contained in the report, we suggest the client work closely with his/her attorney, accountant, insurance agent, stockbroker, and/or Grunden. Implementing the wealth management process, and/or any financial planning recommendations is entirely at the client's discretion.

4.C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

We tailor our advisory services to the individual needs of our clients based on what we learn from them in our Discovery Meetings and the resulting analysis of their existing financial resources, goals and objectives. Clients are able to impose reasonable investment restrictions on the management of their portfolios even if the restriction will cause their portfolios to be out of balance with recommended model portfolios.

4.D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

We do not participate in wrap fee programs.

4.E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.

At the close of December 31, 2010, the amount of assets under management on a discretionary basis was \$83 million dollars. We manage no money on a non-discretionary basis.

Item 5 Fees and Compensation

5.A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

Grunden is compensated for investment advisory services by an annual percentage fee based on client assets under management according to the fee schedule provided below and include wealth management and financial planning services. Firm employees, their spouses, and children do not have a fee deducted from their investment accounts. Fees for asset allocation services are not negotiable. The fee is calculated based on the published fee schedule and is not charged on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

All fees paid to Grunden under the fee schedule are separate and distinct from the fees and expenses charged by mutual funds and ETF's to their shareholders. These fees and expenses are described in each fund's prospectus and will generally include a management fee, other fund expenses, and a possible 12b-1 distribution fee. A client could invest in mutual funds directly without the services of Grunden. In that case, the client would not receive the wealth management, financial planning, and investment management services provided by Grunden which are designed, among other things, to assist the client in achieving their financial goals through the wealth management consultative process and reduce uncompensated risk through low cost diversification programs. Accordingly, the client should review both the fees charged by the funds and the fees deducted by Grunden to fully understand the total fee and thereby accurately evaluate the investment advisory and wealth management services being provided by Grunden Financial Advisory, Inc. Grunden welcomes and encourages open discussion about advisory fees, mutual fund expenses, custodial charges, and other aspects of compensation and cost of doing business as it relates to the client.

Beginning October 1, 2007 the following fee schedule will apply to new clients.

First \$1,000,000 asset value tier	1.25%
Next \$2,500,000 asset value tier	1.00%
Next \$5,000,000 asset value tier	0.80%
Next \$10,000,000 asset value tier	0.70%
Over \$10,000,000 asset value tier	0.50%

Prior to October 1, 2007 schedule.

First \$100,000 asset value tier	2.00%
Next \$150,000 asset value tier	1.75%
Next \$250,000 asset value tier	1.25%
Next \$500,000 asset value tier	1.00%
Next \$500,000 asset value tier	0.50%
Over \$1.5 million asset value tier	0.25%

In 1992, when we originally started giving investment advice for a fee based on assets under management, our minimum portfolio was \$100,000. Over the years as we increased our minimum required portfolio and added wealth management and financial planning services, it became clear we needed to revamp our fee schedule. Currently, those clients prior to 2007 have the option to remain on their original fee schedule while new clients brought on after 2007 are on the new fee schedule.

5.B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

The annual fee for each asset value tier is divided by twelve to obtain the monthly rate. Fees are deducted from the client account monthly in arrears, on the second-to-last business day of the month, based upon the market value of the account as of the previous day's close. We do not send separate billing statements for hourly consulting fees as client receive these services included in the investment advisory fee.

5.C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

Mutual funds and exchange traded funds we may use in our portfolios have an expense ratio approximately ranging from 8 to 70 basis points for the more expensive emerging market and international small cap value funds; however the average fee for one of our diversified model portfolio offerings is about 35 basis points. A "basis point" is 1/100th of one percent or another way to put it is there are 100 basis points in one percent. Clients will also have custodial expenses and trading costs. Please refer to Item 12 Broker Practices and the "Custodial Expense Schedule" and "Distribution and Trading Policy". Grunden does not share or participate in any fees paid to mutual funds or custodians.

5.D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

We do not bill clients in advance and therefore client fees are only deducted for the amount of time assets remain under management with our firm. A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any earned, unpaid fees will be due and payable. Unless specifically instructed by the client in writing, we will continue managing with full discretion client account(s) until client money leaves Grunden custodians. Fees will apply to the account until it leaves our custodian. Upon requested liquidation of investment account, client is responsible for trading cost associated with liquidating their account. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

5.E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.

Grunden does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. Please refer to 10.C.8 for disclosure of insurance relationship.

Item 6 Performance-Based Fees and Side-By-Side Management

As performance based fees may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk to the client, we choose not to participate in Performance Based fees and Side-by-side management fees.

Item 7 Types of Clients

Our primary type of client is an individual for whom we can add significant value through the Grunden Wealth Management Consulting Process and the client is capable of placing at least \$1 million under management with our firm. We provide investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and corporations. Occasionally, we will accept a new client who has less than \$1 million dollars to place under management with our firm if that client has the potential to meet our minimum in the near future and if referred to us by an existing client, a center of influence, or an attorney or CPA from our professional network.

Mature children of clients who participate in the Grunden Wealth Management Consulting Process qualify for the Legacy Partners Program and, therefore, may have an advisory relationship with us and are eligible to participate in the model portfolios. Children in the Legacy Partners Program who receive wealth management and financial planning services will be billed according to their own fee schedule. Dependent accounts will be combined with their parents' accounts for billing purposes until they request their own wealth management, financial plans, and asset allocation service to reach their personal goals.

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

8.A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

Our approach to creating a foundation for a successful investment experience for the client is initiated through the Grunden Wealth Management Consulting Process. We first have a Discovery Meeting where we find out what is important to the potential client and if our services will add significant value to the relationship as mutually determined by the client and Grunden. Then we create an Investment Plan that is tailored and specific to that client which includes an assessment of their current investment program, their risk tolerance, their retirement capabilities, and the gaps that interfere with the attainment of their financial goals. In a third meeting, we present our findings, recommend steps of actions and offer investment strategies we believe will enable clients to reach their investment goals over time. We clearly communicate in our Investment Plan that investing in securities involves risk of loss that the client should be prepared to bear. There are no guarantees that investment goals or their financial goals will be reached.

8.B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

The clients goals, time horizon and risk tolerance will inform and guide the recommended investment strategy offered to clients. Ninety-six percent of our clients choose to participate in one or several of our asset allocation model portfolios. To aid in communication with clients about short term market conditions, we will discuss with them attributes of fundamental and technical analysis in stock and bond and/or fund and asset class selection; however the preponderance of weight in choosing a portfolio will be the client's specific goals and the influence of the Efficient Market Hypothesis (EMH) and Modern Portfolio Theory (MPT) on model portfolio construction.

Prior to 2003, the Grunden method of investment strategies involved charting, fundamental and technical analysis for security and fund selection which culminated in managing portfolios of mutual funds through strategic and tactical asset allocation and by market timing mutual funds. After 2003, we shifted our investment philosophy to embrace the Efficient Market Hypothesis (EMH) and Modern Portfolio Theory (MPT) as the superior method to produce long term, risk identified, investment results. An efficient market is defined as one in which the price of all securities quickly and fully reflect all available information about the asset. EMH asserts current market prices reflect the total knowledge and expectations of all investors and it is highly unlikely that one investor can know more than the collective market. MPT asserts low cost, tax-efficient, risk identified asset class investing combined with broad diversification will produce market returns with less volatility (risk) over long periods of time. We do not guarantee this will occur; however, based on this understanding, risk is controlled by owning the various asset classes of the global market (diversification) and/or by reducing equity exposure through high quality, short term bond positions (reduced volatility) according to individual client risk tolerance and/or specific investment goals.

The material risk involved with our strategy consists of:

- Certain or all equity asset classes may decline with negative swings in the market.
- Value of bonds (and bond funds) will fluctuate and move inversely with interest rates.
- No guarantee that investment goals will be reached even for a long term time horizon.
- Fear in terms of short term market volatility may induce client to sell after account has declined thus locking in losses.

Our strategy does not involve frequent trading of securities. At times, we will rebalance client portfolios back to original asset class targets. When the rebalance is performed at the portfolio level, meaning when the rebalance is initiated by Grunden and involving all portfolios, Grunden pays the rebalance trading costs as a business expense. To rebalance a single account at the client's request may cost up to \$325. All of our portfolios have risk of loss that the client should understand and be prepared to bear.

8.C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

Based on our Discovery Meeting and our Investor Preference Profile (risk/reward profile questionnaire) we will assist you in selecting one or more portfolios to help you reach your goals and understand the risk involved. We are not frequent traders and are considered long term investment advisors.

Item 9 Disciplinary Information

Neither Ricky Lee Grunden, Sr. or any employee ever associated with Grunden has ever had a complaint or disciplinary action brought against them.

Item 10 Other Financial Industry Activities and Affiliations

10.A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

We are not registered representatives of a broker-dealer.

10.B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

Does not apply.

10.C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

Relationships or arrangements material to our advisory business and to our clients listed below.

10.C.1. broker-dealer, municipal securities dealer, or government securities dealer or broker

We are not register representatives of any broker-dealer. However in order to protect our clients we choose to have custodial relationships with two major discount brokers, TD Ameritrade Institutional and Schwab Institutional.

TD Ameritrade Institutional (TDA)

Grunden participates in the TD Ameritrade Institutional custodial services program offered to independent investment advisors. We are not registered representatives of TD Ameritrade. Due to the omnibus trading capability at TDA, we typically recommend the TD Ameritrade custodial platform to clients to implement no load, no 12b-1 services fee mutual fund portfolios. Once clients understand the potential for significant cost savings on trading within the TD Ameritrade platform, clients direct us to execute transactions through the TDA program. There is no direct linkage between the investment advice given by Grunden and participation in the TD Ameritrade custodial services program. Economic benefits are received which would not be received if Grunden did not give investment advice to clients. These benefits include but are not limited to: electronic access to duplicate client confirmations and statements; access to a trading desk serving custodial services participants (Grunden) exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; receipt of compliance publications; and access to mutual funds which require significantly higher minimum initial investments or are available only to institutional investors. Generally at no cost to us, we are offered continuing education workshops, regional workshops and once per year a major three day continuing education advisory conference. We are required to pay our own travel and lodging. The benefits received through participation in the program may depend upon the amount of assets custodied with TD Ameritrade Institutional. TD Ameritrade Institutional offers independent investment advisors five different custodial platforms, as outlined in the TD Ameritrade Institutional Fee Schedule. To maintain "fee-based" status, Grunden elects Option III and thereby signs over to TD Ameritrade Institutional any 12b-1 trails or other marketing incentives provided by mutual fund companies.

Schwab Institutional (SI)

Grunden participates in the Schwab Institutional custodial services program offered to independent investment advisors by Charles Schwab & Company, Inc., an NASD registered

broker-dealer. We are not registered representatives of Schwab Institutional. Clients in need of brokerage and custodial services may have Charles Schwab & Company/Schwab Institutional recommended to them. Grunden will typically recommend the SI program to clients for the implementation of individual stock, bond, and other fixed income securities transactions. There is no direct linkage between the investment advice given by Grunden and participation in the SI custodial services program. Economic benefits are received which would not be received if Grunden did not give investment advice to clients. These benefits include but are not limited to: electronic access to duplicate client confirmations and statements; access to a trading desk serving SI custodial services participants (Grunden) exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; receipt of compliance publications; and access to mutual funds which require significantly higher minimum initial investments or are available only to institutional investors. We are offered continuing education workshops and regional workshops at no cost to us, excluding travel and lodging. We are offered for a fee, a national continuing education advisory conference, not including travel and lodging expenses. The benefits received through participation in the program may depend upon or the amount of assets custodied with Charles Schwab & Co/Schwab institutional.

10.C.2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)

As a fee based RIA, we have access to a myriad of investment programs, including but not limited to, no-transaction fee mutual funds, separate accounts, hedge funds, absolute return funds and/or individual stocks and bonds to name a few; however, Grunden chooses to align with the Dimensional Fund Advisory (DFA) program. Through this DFA strategic alliance, economic benefits are received which would not be available without this relationship. These benefits include but are not limited to: continuing education conferences where food and conference, provided at no charge to advisor, excluding travel and lodging expenses; analytical tools through the DFA Returns Program, access to various indexes for research such as CRSP and Russell indexes and general support to advisors in servicing clients.

10.C.3 other investment adviser or financial planner

No material relationship.

10.C.4 futures commission merchant, commodity pool operator, or commodity trading advisor

No material relationship.

10.C.5 banking or thrift institution

No material relationship.

10.C.6 accountant or accounting firm

No material relationship.

10.C.7 lawyer or law firm

No material relationship.

10.C.8. insurance company or agency

Ricky Grunden, Sr. maintains a current life and health insurance license (Texas Department of Insurance Lic # 769038; expires June 21, 2013) which in certain circumstances may pose a conflict of interest. As a function of specific client needs that are uncovered throughout the Wealth Management Consulting Process, at times an annuity or life and health insurance is the best solution for the client to solve that particular problem enabling them to reach their stated wealth management and financial goals. When insurance is implemented on behalf of a client to fulfill their goals, Ricky Grunden will share in the normal agent's commission for the time spent in assisting the client and insurance specialist in procuring their insurance. Grunden does not, nor has any intention of actively soliciting insurance sales as a business practice; but when appropriate according to client needs, explore possibilities on behalf of clients.

10.C.9 pension consultant

No material relationship.

10.C.10 real estate broker or dealer

No material relationship.

10.C.11 sponsor or syndicator of limited partnerships.

No material relationship.

10.D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

We receive no other sources of revenue other than monthly fee for assets under management and revenue sharing in insurance related offerings.

As a rule, we choose not to participate in custodial no-transaction fee (NTF) platform for buying and selling funds at no trading cost. Please see 11.B.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

11.A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.

Our company adheres to the Grunden Code of Ethics (Code). We will provide a copy of our Code to clients or prospective clients upon their request. A description of the Code follows:

- The Code is maintained and enforced by Ricky Grunden, Chief Executive Officer, President, and Chief Compliance Officer (CCO).
- We have a “standard of conduct” applying to all employees, especially supervised persons that highlights our fiduciary duty to the client and our desire to fully comply with the spirit and letter of federal and state securities law.
- All Grunden employees report their personal security holdings and personal trading at least quarterly to the CCO for review within ten days of the close of each quarter.
- Pre-approval of access persons is required by CCO prior to participation in any initial public offering or private placement.
- We desire a “culture of compliance and ethics” and therefore have regular meetings to educate our staff and review our Code and compliance manual.
- Violations of the Code by any employee must be reported to the CCO with a company culture that encourages reporting and protects from retaliation.
- We do not have access to material non-public information; but if we did, we would hold that information strictly confidential and not seek to personally benefit from such information.
- We keep records including a copy of our Code, violations and actions taken, and written acknowledgement of supervised persons receipt of the Code.

11.B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

We do not recommend programs where we have a material financial interest. We do not anticipate doing this in the future, but if we did, we would fully disclose the arrangements and potential conflicts of interest in this document.

We choose to not participate in the TD Ameritrade no-transaction fee (NTF) platform as this may constitute a conflict of interest due to the higher internal expense ratio for the NTF funds. Our clients pay trading costs of up to \$25.00 per fund as compared to the no-transaction fee platform; however, when combined with our infrequent trading philosophy, and that Grunden pays trading cost at the portfolio level for rebalancing, whenever possible batch client trades to reduce cost, and low internal expense ratios for asset class funds, we expect clients to experience significant savings over time.

11.C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

Grunden or individuals associated with our company may buy or sell securities identical to those recommended to customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security or securities which are recommended to clients. Grunden employees participate in the same model portfolios as clients. No special treatment is given to any employee account since accounts are batch traded and receive end of day pricing for mutual fund.

11.D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

With the exception of employee accounts that are managed by Grunden in the model portfolios that are offered to clients, it is the expressed policy of Grunden that no person employed by Grunden may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

Apart from participation in a model portfolio, the above situation represents a conflict of interest and therefore Grunden has established the following restrictions in order to ensure its fiduciary responsibilities:

- An employee of Grunden shall not buy or sell securities for their personal portfolio(s) where their 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 person of Grunden shall prefer his or her own interest to that of the advisory client.
- Grunden maintains a list of all securities holdings for itself and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by Mr. Grunden.
- Grunden emphasizes the unrestricted right of the client to select and choose any broker or dealer, and/or insurance company (s)he wishes.
- Grunden requires that all individuals must act in accordance with applicable Federal and State regulations governing registered investment advisory practices.
- Any individuals not in observance of the above are subject to termination

Item 12 Brokerage Practices

12.A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Grunden maintains custodial relationships with two of the largest, most respected discount broker-dealers on behalf of our clients. Among other benefits, the purpose of a custodial relationship is to have a well known broker-dealer that separates advisor access to client's funds. We recommend to clients TD Ameritrade and Schwab Institutional. Neither TD Ameritrade or Schwab Institutional pays Grunden fees or commissions. Our clients benefit through discount brokerage service and Grunden benefits through custodial services.

12.A.1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.

We do not mark up or mark down commissions to receive benefits from our custodians. We do not receive preferential treatment at the expense of our clients. Benefits we receive are outlined in Item 10.C.1 and are the same benefits any advisor is eligible to receive if they have a custodial relationship. The net effect is we receive no soft dollar benefits.

12.A.2. Brokerage for Client Referrals. If you consider, in selecting or recommending broker dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.

We receive no client referrals from TD Ameritrade or Schwab Institutional.

12.A.3. Direct Brokerage

Grunden does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid; therefore, clients must direct Grunden to the broker dealer to be used even though we recommend TD Ameritrade and Schwab Institutional. In directing the use of a particular broker or dealer, it should be understood that Grunden will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients. Grunden recommends to clients discount brokers TD Ameritrade and Schwab Institutional and **does not receive or participate in brokerage commissions**. Not all advisors require their clients to direct brokerage; as some advisors have registered representative relationships with their broker-dealers.

12.B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

Grunden aggregates trades for itself or for its associated person(s) with client trades, providing that the following conditions are met:

- Grunden policies for the aggregation of transactions shall be fully disclosed in this Form ADV Part 2 and separately to Grunden's existing clients (if any) and the broker-dealer(s) through which such transactions will be placed.
- Grunden will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients and is consistent with the terms of Grunden's investment advisory agreement with each client for whom trades are being aggregated;

- No advisory client will be favored over any other client; each client who participates in an aggregated order will participate at the average share price for all Grunden's transactions in a given security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction
- Grunden will prepare, before entering an aggregated order, a written statement("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among those clients
- If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement; if the order is partially filled, it will be allocated pro-rata based on the Allocation Statement
- Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and is approved by Grunden's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed
- Grunden's books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account
- Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the client's cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery vs payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement
- Grunden will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation
- Individual advice and treatment will be accorded to each advisory client.

Item 13 Review of Accounts

13.A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.

Ricky Grunden, Certified Financial Planner[®], CEO, CCO, and President of Grunden Financial Advisory, Inc., performs account reviews. Mr. Grunden reviews underlying assets in client accounts on a continuous basis. Formal account reviews are performed at least quarterly (see 13.B). In addition, more frequent reviews may be triggered by changes in such variables as market conditions, political or economic circumstances, or at the client's request. Clients are advised to contact Grunden if their financial situation or investment objective changes or if they wish to impose, add, or modify reasonable restrictions on our investment management. Asset Allocation Services accounts and Investment Supervisory Services accounts will be reviewed with clients at their request.

Dave Ragan, Certified Financial Planner[®] and Financial Planning Specialist for Grunden Financial Advisory, Inc. will provide account reviews in the event of death, disability, or incapacity of Mr. Grunden. Mr. Ragan may review accounts on an as needed basis and will review accounts according to existing company philosophy and investment process.

13.B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

Once every month on the 15th, Grunden prints and reviews each client account and mails that statement to the fee paying client who has assets under management with our firm. Over 20 years ago, prior to computers becoming ubiquitous, we enacted this practice so clients could see their investments from many sources on one page of paper. Originally designed as a touch piece and a service to clients, the practice exists today because clients tell us they like it. We call the report a 'mid-month' statement which includes investment position values for previous month and current month that are generally initialed, signed or noted by Ricky Grunden, Sr.

13.C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

For clients who participate in the Grunden Wealth Management Consulting Process, and have completed a Discovery Meeting, and who are grandfathered by previous minimums, or have one million or more in assets under management with our firm, receive investment reviews offered every 90 days or as requested. These reviews consist of four reports: 1) a current portfolio statement, 2) a position performance report with year to date returns for each position, 3) a from inception, net of fees, investment performance report, and 4) a from inception cumulative vs. net investment report. These reviews are also tied back to the client investment plan and how they are doing relative to reaching their stated goals.

Item 14 Client Referrals and Other Compensation

14.A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

Other than our fee pay client relationships, no other person or entity provides an economic benefit to our firm and therefore no conflict of interest exists. We have no means to participate in sales programs as an incentive to recommend products that inure to us sales awards or prizes.

14.B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

We occasionally will take centers of influence to lunch, dinner, or send a small gift basket to thank them for sending referrals to our firm. However, we do not directly compensate individuals for referrals.

Item 15 Custody

We take no custody of client funds.

Item 16 Investment Discretion

We have full discretionary authority to manage security accounts on behalf of clients. Clients grant Grunden discretionary trading authority as written in the Grunden Financial Advisory, Inc Advisory Agreement for Money Management Agreement; however we will not change a portfolio to more or less risk without client approval. Clients may make reasonable request to limit our discretionary authority.

Item 17 Voting Client Securities

17.A If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

Grunden does not accept authority to vote client securities and therefore, no conflict of interest between us and our clients exists with respect to voting their securities.

17.B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

Grunden does not have the authority to vote securities on behalf of clients and therefore no conflict of interest exists. Furthermore, since 96% of our investment solutions involve ETF's, index funds and asset class mutual funds, the need for voting individual securities is greatly diminished. Clients will receive voting proxies for securities held outside our model portfolios directly from the custodians and may contact us at 940.591.9007 for questions.

Item 18 Financial Information

18.A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

We do not accept pre-payment of fees as we bill in arrears on assets under management. Please refer to item 5.B for full details.

18.B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

We do not accept pre-payment of fees as we bill in arrears on assets under management. Please refer to item 5.B for full details.

18.C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

We have not been subject to a bankruptcy petition at any time.

Item 19 Requirements for State-Registered Advisers

19.A. Identify each of your principal executive officers and management persons, and describe their formal education and business background. If you have supplied this information elsewhere in your Form ADV, you do not need to repeat it in response to this Item.

Please refer to item 4.A.

19.B. Describe any business in which you are actively engaged (other than giving investment advice) and the approximate amount of time spent on that business. If you have supplied this information elsewhere in your Form ADV, you do not need to repeat it in response to this Item.

Grunden is not engaged in any business outside of investment consulting and wealth management.

19.C. In addition to the description of your fees in response to Item 5 of Part 2A, if you or a supervised person are compensated for advisory services with performance-based fees, explain how these fees will be calculated. Disclose specifically that performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

Grunden is not compensated with performance based fees.

19.D. If you or a management person has been involved in one of the events listed below, disclose all material facts regarding the event.

19.D.1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

- (a) an investment or an investment-related business or activity;**
- (b) fraud, false statement(s), or omissions;**
- (c) theft, embezzlement, or other wrongful taking of property;**
- (d) bribery, forgery, counterfeiting, or extortion; or**
- (e) dishonest, unfair, or unethical practices.**

19.D.2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;**
- (b) fraud, false statement(s), or omissions;**
- (c) theft, embezzlement, or other wrongful taking of property;**
- (d) bribery, forgery, counterfeiting, or extortion;**
- (e) dishonest, unfair, or unethical practices.**

No management person has been involved in the events listed above.

19.E. In addition to any relationship or arrangement described in response to Item 10.C. of Part 2A, describe any relationship or arrangement that you or any of your management persons have with any issuer of securities that is not listed in Item 10.C. of Part 2A.

Other than what is listed in 10.C of Part 2A, there are no other arrangements with any issuer of securities.

Part 2B of Form ADV: *Brochure Supplement*

Item 1 Cover Page



Ricky Lee Grunden, Sr.
Dave Ragan

Grunden Financial Advisory, Inc.
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Denton Texas 76210
940.591.9007
www.grunden.com

April 4, 2011

This brochure supplement provides information about Ricky Lee Grunden, Sr. and Dave Ragan that supplements the Grunden Financial Advisory, Inc. brochure. You should have received a copy of that brochure. Please contact Ricky Lee Grunden, Sr. if you did not receive Grunden Financial Advisory's brochure or if you have any questions about the contents of this supplement.

Additional information about Ricky Lee Grunden, Sr. and Dave Ragan is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 Educational Background and Business Experience

Ricky Lee Grunden, Sr.

Date of Birth: May 21, 1951

Education:

- Graduated Ball High School, 1970
- Galveston Community College, 1970
- University of North Texas, 1970-73 and 1989; General Business Studies

Business Background:

- President/CEO, Grunden Financial Advisory, Inc. (2002 to present)
- Owned Ricky Grunden Investment Advisors (2001-2002)
- Vice President, Secretary and Director, Rhoads Grunden Lucca Capital Management, Inc. (1986-2000)

Professional Designations:

- Certified Financial Planner[®] (CFP[®]) [1]
- Accredited Investment Fiduciary[®] (AIF[®]) [2]

David Ashley Ragan

Date of Birth: July 6, 1979

Education:

- Graduated Newman Smith High School, 1998
- Graduated University of North Texas, 2003; B.B.A. Financial Planning

Business Background:

- Adjunct Professor, University of North Texas (2010 to present)
- Financial Planning Specialist, Grunden Financial Advisory, Inc. (2003 to present)
- Financial Planning Intern, Carter Advisory Services (2002-2003)

Professional Designations:

- Certified Financial Planner[®] (CFP[®]) [1]

[1] Certified Financial Planner[®] (CFP[®]) Designation Defined

The CFP[®] certification process, administered by CFP Board, identifies to the public that those individuals who have been authorized to use the CFP[®] certification marks in the U.S. have met rigorous professional standards and have agreed to adhere to the principles of integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence when dealing with clients.

To become a CFP[®], you are required to meet the following initial certification requirements:

1. Education (approved Board-Registered programs)
2. Examination (comprehensive, two day, 10 hour exam covering over 100 topics)
3. Experience (three year minimum experience of full time, relevant experience)
4. Ethics (must meet the *Fitness Standards for Candidates and Registrants* set by the Board)

Once you earn the CFP® marks (by meeting the four criteria listed above), you must then meet the CFP Board's renewal standards to continue using them. The CFP® certification must be renewed every two years at the end of your renewal month and you are required to:

- Complete the certification application (must continue to meet the *Fitness Standards for Candidates and Registrants*)
- Pay a \$360 certification fee
- Complete 30 hours of approved continuing education (2 hours must focus on Ethics)

For additional information, please visit: <http://www.cfp.net/become/certification.asp>

[2] Accredited Investment Fiduciary® (AIF®) Designation Defined

Administered by *fi360*, the Accredited Investment Fiduciary® (AIF®) professional designation is the industry's first and only designation that demonstrates knowledge and competency in the area of fiduciary responsibility and communicates a commitment to standards of investment fiduciary excellence. Holders of the AIF® mark have successfully completed a specialized program on investment fiduciary standards and subsequently passed a comprehensive examination.

AIF designees have a reputation in the industry as being the best positioned to implement a prudent process into their own investment practices, as well as being able to assist others in implementing proper policies and procedures.

To become an AIF®, you are required to meet the following initial certification requirements:

1. Successfully complete a specialized program on investment fiduciary standards of care
2. Pass a comprehensive exam on best practices of investment fiduciaries

Once you earn the AIF® marks (by meeting the criteria listed above), you must then meet the annual standards to continue using them. The AIF® certification must be renewed every year and you are required to:

- Accrue six hours of continuing professional education with at least four coming from *fi360* produced sources (outlined in the section below)
- Attest to a code of ethics
- Maintain current contact information in *fi360*'s designee database
- Remit \$325 in annual dues

For additional information, please visit: http://www.fi360.com/main/designations_aif.jsp

Item 3 Disciplinary Information

3.A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the supervised person

3.A.1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

None.

3.A.2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;

None.

3.A.3. was found to have been involved in a violation of an investment-related statute or regulation;

None.

3.A.4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, the supervised person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

None.

3.B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the supervised person

3.B.1. was found to have caused an investment-related business to lose its authorization to do business;

None.

3.B.2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority

(3.B.2.a) denying, suspending, or revoking the authorization of the supervised person to act in an investment-related business;

None.

(3.B.2.b) barring or suspending the supervised person's association with an investment-related business;

None.

(3.B.2.c) otherwise significantly limiting the supervised person's investment-related activities; or

None.

(3.B.2.d) imposing a civil money penalty of more than \$2,500 on the supervised person.

None.

3.C. A self-regulatory organization (SRO) proceeding in which the supervised person

3.C.1. was found to have caused an investment-related business to lose its authorization to do business;

None.

3.C.2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

None.

3.D. Any other proceeding in which a professional attainment, designation, or license of the supervised person was revoked or suspended because of a violation of rules relating to professional conduct. If the supervised person resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a proceeding (and the adviser knows, or should have known, of such resignation or relinquishment), disclose the event.

None.

Item 4 Other Business Activities

4.A. If the supervised person is actively engaged in any investment-related business or occupation, including if the supervised person is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”), commodity trading advisor (“CTA”), or an associated person of an FCM, CPO, or CTA, disclose this fact and describe the business relationship, if any, between the advisory business and the other business.

None.

4.A.1. If a relationship between the advisory business and the supervised person’s other financial industry activities creates a material conflict of interest with clients, describe the nature of the conflict and generally how you address it.

None.

4.A.2. If the supervised person receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service (“trail”) fees from the sale of mutual funds, disclose this fact. If this compensation is not cash, explain what type of compensation the supervised person receives. Explain that this practice gives the supervised person an incentive to recommend investment products based on the compensation received, rather than on the client’s needs.

None.

4.B. If the supervised person is actively engaged in any business or occupation for compensation not discussed in response to Item 4.A, above, and the other business activity or activities provide a substantial source of the supervised person’s income or involve a substantial amount of the supervised person’s time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the supervised person’s time and income, you may presume that they are not substantial.

None.

Item 5 Additional Compensation

If someone who is not a client provides an economic benefit to the supervised person for providing advisory services, generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include the supervised person's regular salary. Any bonus that is based, at least in part, on the number or amount of sales, client referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

None.

Item 6 Supervision

Explain how you supervise the supervised person, including how you monitor the advice the supervised person provides to clients. Provide the name, title and telephone number of the person responsible for supervising the supervised person's advisory activities on behalf of your firm.

Ricky Lee Grunden, Sr.
President/CEO
Chief Compliance Officer
940.591.9007

Our company adheres to the Grunden Code of Ethics (Code). We will provide a copy of our Code to clients or prospective clients upon their request. A description of the Code follows:

- The Code is maintained and enforced by Ricky Grunden, Chief Executive Officer, President, and Chief Compliance Officer (CCO).
- We have a "standard of conduct" applying to all employees, especially supervised persons that highlights our fiduciary duty to the client and our desire to fully comply with the spirit and letter of federal and state securities law.
- All Grunden employees report their personal security holdings and personal trading at least quarterly to the CCO for review within ten days of the close of each quarter.
- Pre-approval of access persons is required by CCO prior to participation in any initial public offering or private placement.
- We desire a "culture of compliance and ethics" and therefore have regular meetings to educate our staff and review our Code and compliance manual.
- Violations of the Code by any employee must be reported to the CCO with a company culture that encourages reporting and protects from retaliation.
- We do not have access to material non-public information; but if we did, we would hold that information strictly confidential and not seek to personally benefit from such information.
- We keep records including a copy of our Code, violations and actions taken, and written acknowledgement of supervised persons receipt of the Code.

We do not recommend programs where we have a material financial interest. We do not anticipate doing this in the future, but if we did, we would fully disclose all arrangements and potential conflicts of interest in this document.

Grunden or individuals associated with our company may buy or sell securities identical to those recommended to customers for their personal accounts. In addition, any related person(s) may have an interest or position in a certain security or securities which are recommended to clients. Grunden employees participate in the same model portfolios as clients. No special treatment is given to any employee account since accounts are batch traded and receive end of day pricing for mutual fund.

With the exception of employee accounts that are managed by Grunden in the model portfolios that are offered to clients, it is the expressed policy of Grunden that no person employed by Grunden may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

Apart from participation in a model portfolio, the above situation represents a conflict of interest and therefore Grunden has established the following restrictions in order to ensure its fiduciary responsibilities:

- An employee of Grunden shall not buy or sell securities for their personal portfolio(s) where their 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 person of Grunden shall prefer his or her own interest to that of the advisory client.

- Grunden maintains a list of all securities holdings for itself and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by Mr. Grunden.
- Grunden emphasizes the unrestricted right of the client to select and choose any broker or dealer, and/or insurance company (s)he wishes.
- Grunden requires that all individuals must act in accordance with applicable Federal and State regulations governing registered investment advisory practices.
- Any individuals not in observance of the above are subject to termination

Item 7 Requirements for State-Registered Advisers

7.A. In addition to the events listed in Item 3 of Part 2B, if the supervised person has been involved in one of the events listed below, disclose all material facts regarding the event.

7.A.1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

(7.A.1.a) an investment or an investment-related business or activity;

None.

(7.A.1.b) fraud, false statement(s), or omissions;

None.

(7.A.1.c) theft, embezzlement, or other wrongful taking of property;

None.

(7.A.1.d) bribery, forgery, counterfeiting, or extortion;

None.

(7.A.1.e) dishonest, unfair, or unethical practices.

None.

7.A.2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

(7.A.2.a) an investment or an investment-related business or activity;

None.

(7.A.2.b) fraud, false statement(s), or omissions;

None.

(7.A.2.c) theft, embezzlement, or other wrongful taking of property;

None.

(7.A.2.d) bribery, forgery, counterfeiting, or extortion;

None.

(7.A.2.e) dishonest, unfair, or unethical practices.

None.

7.B. If the supervised person has been the subject of a bankruptcy petition, disclose that fact, the date the petition was first brought, and the current status.

None.