

Plexus Financial Group, Inc.

Brochure

(Part 2A of Form ADV)

**Plexus Financial Group, Inc.
23591 El Toro Road, Suite 270
Lake Forest, CA 92630
949-768-3310
949-768-3918**

This brochure provides information about the qualifications and business practices of PLEXUS FINANCIAL GROUP, INC. If you have any questions about the contents of this brochure, please contact us at: 949-768-3310. 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 PLEXUS FINANCIAL GROUP, INC. is available on the SEC's website at www.adviserinfo.sec.gov

December 31, 2011

Plexus Financial Group, Inc.

Material Changes

Annual Update

The Material Changes section of this brochure will be updated as necessary when material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at 949-768-3310.

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Advisory Business

Firm Description

PLEXUS FINANCIAL GROUP, INC., ("PFG") was founded in 1991.

PFG provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

PFG is strictly a fee-only financial planning and investment management firm. The firm does not receive commissions for purchasing or selling annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

Investment advice is an integral part of financial planning. In addition, PFG advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

Investment advice is provided, with the client making the final decision on investment selection. PFG does not act as a custodian of client assets. The client always maintains asset control. PFG places trades for clients under a limited power of attorney.

A written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

Principal Owners

Michael L. Brown is a 100% stockholder.

Types of Advisory Services

PFG provides investment supervisory services, also known as asset management services and furnishes investment advice through consultations.

On more than an occasional basis, PFG furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

As of 12/31/11, PFG manages approximately \$66,000,000 in assets for approximately 75 clients. Approximately \$60,000,000 is managed on a discretionary basis, and \$6,000,000 is managed on a non-discretionary basis.

Tailored Relationships

The goals and objectives for each client are documented in our client relationship management system. Investment statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

Types of Agreements

The following agreements define the typical client relationships.

Financial Planning Agreement (Retainer Agreement)

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

The fee for a financial plan is predicated upon the facts known at the start of the engagement. The minimum fee is generally \$5,000. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

Advisory Service Agreement

Most clients choose to have PFG manage their assets in order to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed, including those of their children. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

The scope of work and fee for an Advisory Service Agreement is provided to the client in writing prior to the start of the relationship. An Advisory Service Agreement includes: cash flow management; insurance review; investment management (including performance reporting); education planning; retirement planning; estate planning; and tax preparation, as well as the implementation of recommendations within each area.

The annual Advisory Service Agreement fee is based on a percentage of the investable assets according to the following schedule:

1.00% on the first \$500,000 to 1,000,000;;

0.50% on the assets above \$1,000,000

The minimum annual fee is generally \$5,000. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Advisory Service Agreement is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

Asset Management

Assets are invested primarily in no-load mutual funds and exchange-traded funds, usually through discount brokers or fund companies. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. PFG does not receive any compensation, in any form, from fund companies.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, and interests in partnerships.

Initial public offerings (IPOs) are not available through PFG.

Termination of Agreement

A Client may terminate any of the aforementioned agreements at any time by notifying PFG in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, PFG will refund any unearned portion of the advance payment.

PFG may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, PFG will refund any unearned portion of the advance payment.

Fees and Compensation

Description

PFG bases its fees on a percentage of assets under management..

Some *Retainer Agreements* may be priced based on the complexity of work, especially when asset management is not the most significant part of the relationship.

Financial plans are priced according to the degree of complexity associated with the client's situation.

Fee Billing

Investment management fees are billed quarterly, in advance, meaning that we invoice you before the three-month billing period has begun. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

PFG, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

New Advisory Service Agreement fees are calculated on a formula basis and adjusted for complexity of individual situations. *The formula is based on gross income, gross assets and other financial considerations.*

Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to PFG.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Types of Clients

Description

PFG generally provides investment advice to individuals, corporations or business entities, pension and profit sharing plans, trust, and estates.

Client relationships vary in scope and length of service.

Account Minimums

The minimum account size is \$500,000 of assets under management, which equates to an annual fee of \$5,000.

PFG has the discretion to waive the account minimum.

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

The main sources of information may include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Investment Strategies

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

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

Other strategies may include long-term purchases, short-term purchases, and option writing (including covered options, uncovered options or spreading strategies).

Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Disciplinary Information

The firm and its employees have not been involved in any disciplinary actions related to past or present investment clients.

Other Financial Industry Activities and Affiliations

Financial Industry Activities

PFG is registered with the SEC as a Registered Investment Adviser.

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

Code of Ethics

The employees of PFG. have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Participation or Interest in Client Transactions

PFG and its employees may buy or sell securities that are also held by clients.

Personal Trading

The Chief Compliance Officer of PFG is Michael L. Brown. Mr. Brown is responsible for all trading on client accounts. The extent of Mr. Brown's personal trading do not affect the securities markets.

Brokerage Practices

Selecting Brokerage Firms

PFG does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. PFG recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

PFG recommends various brokerage firms and trust companies (qualified custodians).

PFG does not receive fees or commissions from any of these arrangements.

Best Execution

PFG reviews the execution of trades at each custodian each quarter. Trading fees charged by the custodians is also reviewed on a quarterly basis. PFG does not receive any portion of the trading fees.

Order Aggregation

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

Review of Accounts

Periodic Reviews

Account reviews are generally performed quarterly by advisor Michael L. Brown, President. Account reviews are performed more frequently when market conditions dictate.

Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

Regular Reports

Clients receive periodic communications on at least an annual basis. *Advisory Service Agreement* clients, *Investment Management* clients, and *Retainer Agreement* clients and may receive written quarterly updates. The written updates may include a net worth statement, portfolio statement, tax return (if the client requests tax preparation services), and a summary of objectives and progress towards meeting those objectives.

Client Referrals and Other Compensation

Incoming Referrals

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

Referrals Out

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

Custody

SEC "Custody"

From time to time, PFG may be considered to have custody of certain types of accounts, such as when an employee acts as a trustee of an unrelated trust and the firm acts as the investment adviser to that trust. When the firm has such custody, an annual surprise audit of those custodial accounts is

performed by an independent CPA firm in compliance with SEC requirements.

Account Statements

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly.

Performance Reports

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by PFG.

Net Worth Statements

Clients are frequently provided net worth statements and net worth graphs that are generated from our client relationship management system. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

Investment Discretion

Discretionary Authority for Trading

PFG accepts discretionary authority to manage securities accounts on behalf of clients. PFG has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, PFG consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

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

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

Voting Client Securities

Proxy Votes

Unless the client designates otherwise, PFG may vote proxies for securities over which it maintains discretionary authority.

Financial Information

Financial Condition

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

A balance sheet is not required to be provided because PFG does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

Business Continuity Plan

General

PFG has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services.

Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

Information Security Program

Information Security

PFG maintains an information security program to reduce the risk that your personal and confidential information may be breached.

Privacy Notice

PFG is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

PFG requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management..

Michael L. Brown

Educational Background:

- Date of birth: 7/22/1954
- Institutions: Louisiana State University - 1976

Business Experience: 1976-2011

Mr. Brown has been involved in the financial services industry over the last 30 years. In 1991, he established Plexus Financial Group, Inc. (PFG, Inc.) as an independent, fee-based Registered Investment Advisory and Financial Planning Firm. PFG, Inc., assists high net worth individuals develop and manage ongoing strategies for investment management, tax, estate, retirement and insurance planning. The firm provides personal guidance through the complexity of financial issues that families face today giving practical solid advice to help protect their savings and reach their goals.

PFG, Inc., today maintains personal and confidential relationships with approximately 75 clients and provides ongoing advice and counsel covering approximately \$66,000,000 worth of assets from its client base.

Other Business Activities: None

Additional Compensation: None

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

Margret W. Brown**Educational Background:**

- Date of birth: 10/23/1954
- Institutions: Louisiana State University 1975

Business Experience: 1991-2011

- Ms. Brown has been an integral part of PFG, Inc., since its inception. Her work assists Mr. Brown in coordinating opening accounts with brokerage firms, maintaining efficient follow up in all aspects of client transactions, and processing payables and receivables with the firm.

Additional Compensation: None

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None