



Lifeway Financial Corporation
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This Brochure provides information about the qualifications and business practices of Lifeway Financial Corporation (LIFEWAY). If you have any questions about the contents of this Brochure, please contact us at 972-378-3677 and/or info@lifewayfinancial.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.

LIFEWAY is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

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

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated December 31, 2010 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

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

Currently, our Brochure may be requested by contacting Susan Hensley, Chief Compliance Officer at (972) 378-3677 or shensley@lifewayfinancial.com

Additional information about LIFEWAY is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with LIFEWAY who are registered, or are required to be registered, as investment adviser representatives of LIFEWAY.

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Item 4 – Advisory Business

LIFEWAY is a registered investment advisor located in Plano, Texas. LIFEWAY was founded in October 1999 by David T. Brunson. David T. Brunson is LIFEWAY's principal owner. Refer to the brochure supplement for additional information regarding David T. Brunson's qualifications.

LIFEWAY provides highly customized and personalized financial planning and investment management services to its clients. Financial planning is a basic part of the firm's services, with most clients participating in the development of a Financial Plan, after which the plan may be monitored and/or LIFEWAY may manage the client's assets. As of 12/31/2010, LIFEWAY'S assets under management on a discretionary basis was \$95,098,567.

Financial Planning

A client electing to use LIFEWAY's financial planning services elects to have a Financial Plan developed by the company. Elements of such a plan include but are not limited to: Financial Goals and Objectives, Financial Statement Analysis, Cash Flow and Tax Reports, Education and Retirement Planning, Estate and Survivor Planning, Investment Strategy and Portfolio Analysis.

When a client initially elects to use LIFEWAY's financial planning service, the client signs a contract encompassing the delivery of services including research, development, presentation and initial implementation of the plan document. Fees for this service are based upon the projected time estimated for all tasks, factoring in the complexity of the client's financial position and needs.

After the initial period, a client may hire LIFEWAY on an ongoing basis for further monitoring, revision and implementation of the financial plan. In this period clients receive updated customized financial planning documents and meet with David T. Brunson, President of LIFEWAY, as needed. Once an initial plan is created, an annual retainer, based on an estimated hourly fee, is charged to each financial planning client and is payable quarterly in advance. Any additional special projects are charged on an hourly basis to the client, payable as accrued monthly in arrears.

Refer to Item 5 for information regarding our Financial Planning Fees.

Investment Management

LIFEWAY strives to provide its clients with a wide range of investment opportunities maximizing the use of asset allocation and diversification theory, creating investment portfolios with an emphasis on balancing both risk and return, based on the goals and objective of each client. LIFEWAY provides advice on different types of investments including equities, municipal securities, corporate debt securities and certificates of deposit. In addition, LIFEWAY may offer advice on investing in partnership interest or other investment vehicles that invest in a variety of marketable securities and/or private investments.

LIFEWAY may retain additional outside consultants in connection with securities portfolio management and selection.

Refer to Item 5 for information regarding our Investment Management Fees.

Consultations

In addition to financial planning and investment management, LIFEWAY will provide individualized consultations on selective financial matters to clients. Clients are charged an hourly rate for this service.

Refer to Item 5 for information regarding our consultation fees.

Item 5 – Fees and Compensation

Financial Planning Fees

Fees for an initial Financial Plan are charged as a flat fee, based on an hourly rate of \$300.00. The fee to complete the required services is presented to the client prior to contract execution, with the contract requiring 50% of the fee to be paid at the time of contract execution. The remaining 50% is due and payable to LIFEWAY upon completion and final presentation of the initial plan document. Either the client or LIFEWAY may terminate the agreement effective immediately upon receipt of notice in writing. Unearned prepaid financial planning fees will be refunded by LIFEWAY to the client within 30 days of termination.

After the initial financial plan is completed, a client may hire LIFEWAY on an ongoing basis for further monitoring, revision and implementation of the financial plan. For this ongoing

financial planning service, an annual retainer, based on an estimated hourly fee, is charged to each financial planning client and is payable quarterly in advance. Any additional special projects are charged on an hourly basis to the client, payable as accrued monthly in arrears. Either the client or LIFEWAY may terminate the agreement effective immediately upon receipt of notice in writing. Unearned prepaid financial planning fees will be refunded by LIFEWAY to the client within 30 days of termination.

Investment Management Fees

Client will pay LIFEWAY a fee for its investment management services. The fee will be a percentage of the fair market value of all assets in the account on the last trading day of each calendar quarter. The management fee is payable quarterly in advance. In any partial calendar quarter, the management fee will be a percentage of the fair market value of all assets in the account on the last trading day of the quarter and will be prorated based on the number of days that the account was open during the quarter.

LIFEWAY generally requires a minimum annual fee of \$2,000 for the establishment of an investment management account. Fees for all services are negotiable depending on the size of the account or the particular client situation. Clients receiving the same services may be paying different fees.

The Annual Investment Management fees generally charged by LIFEWAY are as follows: 1.0% of the fair market value not exceeding \$ 2 1/2 million; plus 0.75% of the fair market value exceeding \$ 2 1/2 million up to \$ 5 million; plus 0.50% of the fair market value exceeding \$5 million. Either the client or LIFEWAY may terminate the agreement effective immediately upon receipt of notice in writing. Unearned prepaid investment management fees will be refunded by LIFEWAY to the client within 30 days of termination.

Investment management fees are assessed per portfolio based on a percentage per year of the fair market value of assets under management. For billing purposes, the fair market value is determined as of the last day of the quarter immediately preceding the billing date, using market close valuations provided by account custodian.

Fees are payable quarterly in advance and with the client's permission may be deducted directly from the client's account. LIFEWAY requires that the following occur in order to have its management fees deducted directly from clients' account(s). First, a client must provide written authorization to its custodian directing the custodian to withdraw management fees from the account upon receiving instructions to do so from LIFEWAY. Secondly, the client always receives an informational invoice showing the base amount upon which the fee is calculated, the calculation, and the dollar amount being deducted.

And thirdly, the statement from the custodian to the client lists the deduction of the management fee in the transaction history for the period. Additionally, clients understand the custodian does not check the accuracy of the fee calculation when fees are deducted.

Consultation Fees

Fees for consultations are charged on an hourly basis at \$300 per hour. The estimated fee to complete the required services is presented to the client prior to contract execution. Fees may be payable in advance or at the conclusion of the services, depending on the particular service and client situation. Either the client or LIFEWAY may terminate the agreement effective immediately upon receipt of notice in writing. Unearned prepaid consultation fees will be refunded by LIFEWAY to the client within 30 days of termination.

Other Fees

LIFEWAY's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to LIFEWAY'S's fee, and LIFEWAY shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that LIFEWAY considers in selecting or recommending broker-dealers for client transactions.

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

LIFEWAY does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

Item 7 – Types of Clients

LIFEWAY provides investment management services to individuals, high net worth individuals, and corporate retirement plans.

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

The primary objective of LIFEWAY is to provide an investment management system that executes an investment strategy proportional to the client's needs and goals. Achieving this objective within a global environment of accelerating economic and capital market change requires a comprehensive investment management process. Through this process, we evaluate the client's objectives, preferences, and constraints in conjunction with our capital market expectations to construct an allocation that meets the long-term investment strategy for the client.

Assessing the Client & Setting the Objective

The goal of the investment management process is to manage the client's portfolio within the context of the client's objectives, preferences and constraints. This process must take into consideration the client's personality, life experiences, and personal circumstances that affect the objectives of the portfolio. At the broadest level, the following client objectives, preferences and constraints make up the elements of a client's investment policy statement, and define the investment objective of the portfolio:

- Return Requirement
- Risk Management
- Time Horizon
- Liquidity
- Flow of Funds
- Tax Management
- Legal Constraints
- Other Factors

LIFEWAY will work with the client to create and execute an Investment Policy Statement for the client in order to define the investment objectives of the portfolio.

The investment objective describes the neutral balance of growth assets and income assets expected to satisfy the client's objectives, preferences and constraints. The investment portfolio is generally managed within a broad policy range of both growth assets and income assets and is subject to minimum and maximum allocations in each area.

Policy level management including weightings and investment allocations is dependent on multiple factors including: 1) the risk and return prospects for the specific growth and income areas, 2) the relative value of the specific sectors and investments within these

areas, and 3) the specific objectives, preferences and constraints of the client and portfolio. Clients with similar objectives will likely have different weightings and investment allocations at any given point in time.

Asset Allocation

As previously noted, the client's Investment Objective dictates the balance of income and growth assets expected to satisfy the client's objectives. Depending on the agreed upon objective, we design the portfolio allocation among a variety of income and growth assets to emphasize differing investment characteristics such as long-term appreciation of principal and/or the generation of income. These different types of growth and income assets are segmented into sectors and subsectors that represent a variety of investment characteristics. Sector level management includes selection and allocation among sectors and subsectors to reflect the client's investment objective.

Investment level management involves the identification, selection and weighting of specific investments. Investment decisions are largely dependent on diversification considerations, relative valuation, the risk and return characteristics of the aforementioned sectors and subsectors in the expected return profile of each investment on an absolute and relative basis, the expected risk profile of each investment and its influence on the overall portfolio and the tradeoff between the risk and return of each investment.

Investments selected may be concentrated in a particular sector or area and may exhibit higher risk characteristics. However, we evaluate investment decisions regarding individual assets, not only in isolation, but also in the context of the portfolio as a whole and as part of an overall investment strategy that is consistent with the risk and return objectives of the portfolio.

Risks of Investing

In general, portfolios with a higher allocation to growth assets have historically obtained higher long-term returns than those weighted toward income generating assets. However, as the weight toward growth assets increases, the portfolio is subject to a larger degree of volatility which requires a greater amount of patience from the investor.

Investing in securities involves risk of loss that clients should be prepared to bear.

While we structure investment strategies to minimize the potential for loss using multiple asset classes and broadly diversified investment vehicles, these strategies do not

completely insulate client assets from adverse changes in financial markets. However, assuming a degree of market risk commensurate with the client's risk tolerance and investment constraints is necessary in achieving the client's investment goals.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of LIFEWAY or the integrity of LIFEWAY's management. LIFEWAY has no information applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

LIFEWAY is not affiliated with any other entities.

Item 11 – Code of Ethics

LIFEWAY has adopted a Code of Ethics for all supervised persons of the firm which outlines our fiduciary duty to our clients. All supervised persons must acknowledge the terms on an annual basis or as amended. The Code of Ethics includes provisions relating to prohibition on insider trading, personal securities trading, acceptance of significant gifts and the reporting of certain gifts and business entertainment items among other things.

LIFEWAY has a policy of allowing the Principals and employees to own securities which are owned by or are being recommended to clients. Trades in such securities may be placed simultaneously with trades being placed for clients, but not in advance. At all times, all parties of the firm are required to put the interest of the clients first. These recommendations would only be made if such a recommendation was in the client's best interest and did not produce a conflict with LIFEWAY or any related person. LIFEWAY personnel may not trade if such a trade would create any conflict with client interests. LIFEWAY will maintain internal policies and procedures to assure such conflicts are addressed including reporting of personal investment transactions by LIFEWAY personnel.

A copy of our Code of Ethics is available upon request by contacting Susan Hensley at shensley@lifewayfinancial.com.

Item 12 – Brokerage Practices

For discretionary accounts, LIFEWAY has the limited trading authority to determine the amounts of securities to be bought and sold. These amounts are limited by the value of the funds and securities in the account, and the allocation and diversification restrictions agreed to between the client and LIFEWAY.

LIFEWAY suggests clients select Charles Schwab & Co., Inc. ("Schwab") as custodian because of the broker/dealer's ease in trading, timeliness and accuracy of reporting to the firm and its clients. Schwab also provides a discounted commission schedule and access to a wide range of investment options and custodial services. It sends clients mutual fund prospectuses with trade confirmations and provides at least quarterly statements to its clients. For LIFEWAY client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related fees for securities trades that are executed through Schwab.

Schwab also makes available other products and services that assist LIFEWAY in managing and administering client's accounts. These include software and other technology that provide access to client account data, provide research, pricing information and other market data.

Schwab may also provide other services intended to help LIFEWAY manage its business enterprise. These services may include publications and presentations on practice management, information technology, business succession, regulatory compliance and marketing.

Item 13 – Review of Accounts

Each investment account is reviewed and analyzed at least on a monthly basis. Reviews may occur more frequently if client objectives change or other events of importance to the management of the account occur. Each investment account is reviewed individually to determine that the asset mix and investment selections have been properly coordinated according to the client's investment policy and objectives. Also, performance studies, tax effects, and cash flows are analyzed. The technical, financial and general information employed by LIFEWAY is obtained from sources deemed reliable, but accuracy is not guaranteed. LIFEWAY agrees to render the services in good faith with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent investor in

like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Investment management clients receive quarterly reports including a portfolio statement and performance history for the quarter and year to date. Each client receives a quarterly informational invoice showing the management fees to be deducted from the custodial account. LIFEWAY requires custodians to send clients at least quarterly reports showing portfolio assets priced as of quarter end and a full history of transactions occurring during the period (including the deduction of any management fees).

Item 14 – Client Referrals and Other Compensation

LIFEWAY does not provide any type of economic benefit or compensation to any persons for client referrals.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. LIFEWAY **urges** you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

LIFEWAY will direct, in its sole discretion and without first consulting the client, the investment and reinvestment of the assets in the client's accounts. The client's financial circumstances, investment objectives and any special instructions or limits that the client wishes LIFEWAY to follow in managing the account are described in the client's Investment Policy Statement (IPS). Client agrees to notify LIFEWAY promptly, in writing, of any significant change in the information provided by the client in the IPS or any other significant change in client's financial circumstances or investment objectives that might affect the manner in which client's account should be managed. client also agrees to provide LIFEWAY with such additional information as LIFEWAY may request from time to

time to assist it in managing the account. LIFEWAY'S authority under this Agreement will remain in effect until changed or terminated by the client in writing.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, LIFEWAY does not accept the authority or vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

Item 18 – Financial Information

Registered Investment Advisors are required to disclose any financial information that might impair its ability to meet its fiduciary or contractual obligations. LIFEWAY has no financial commitment that impairs its ability to meet these obligations.