

March 28, 2011

## **Mustard Seed Financial, LLC**

### **Locations:**

202 South Pine  
Magnolia, AR 71753

443 N. Washington  
El Dorado, AR 71730

115 South 5<sup>th</sup>  
West Helena, AR 72390

500 North Jackson  
Magnolia, AR 71753

100 East University  
Magnolia, AR 71753

This brochure provides information about the qualifications and business practices of Mustard Seed Financial, LLC (MSF). If you have any questions about the contents, please contact us at 870-234-1618. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

MSF is a registered investment adviser with the SEC. Registration does not imply a certain level of skill or training.

Summary of material changes:

In 2010 the Securities and Exchange Commission ("SEC") changed the format requirements of the Form ADV Part II, otherwise referred to as the firm brochure, to be in a reader friendly narrative. If there is any part of this brochure this is difficult to understand, please contact our office and we will strive to answer your questions and/or improve the future wording. There have been **no** material changes in MSF's advisory business, fees and compensation, disciplinary information, or other practices that have not been disclosed by MSF.

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1. Mustard Seed Financial, LLC (MSF) is a fee only investment advisor. We do not receive any income in connection with acting as investment advisor except for the fees we charge as described below. We receive no commissions, referral fees, finder's fees or other cash compensation or benefits for the investments we recommend or otherwise.

The advisors at MSF hold themselves out to be financial planners. We work with the client to determine the appropriate investment objectives and investor risk profile. We use investment and portfolio allocation software to evaluate alternative portfolio designs and assist the client in selecting the investment strategies that are consistent with the client goals. We may evaluate the existing investments of the client with respect to the investment goals of the client and their individual performance. We may work with the client to develop a transition plan in order to move from the existing asset allocation to the desired asset allocation. We may monitor the performance of the assets as well as the asset allocation strategy and will hold regular review meetings with the client and produce quarterly performance reports for the client.

MSF provides the following services

**For Individuals:**

Comprehensive financial planning  
Portfolio design and management  
Retirement Planning  
Estate Planning  
Tax Planning  
Educational Funding  
Insurance and Risk Assessment  
Investment Planning

**For Businesses:**

Succession Planning  
Employee Benefits  
Retirement Plans  
Investments  
Tax Planning

MSF does not offer legal advice; rather they work as a team with accountants, attorneys and insurance agents to provide comprehensive financial planning services. MSF is a fee-only firm and charge a percentage of assets under management, or an hourly rate of \$125 for consulting services unrelated to assets under management or both for extensive consulting services in addition to asset management services.

The following fees are charged quarterly, in advance, based upon the value of the client assets under management:

| <u>Portfolio Size</u> |                        | <u>Quarterly</u> | <u>Annual</u> |
|-----------------------|------------------------|------------------|---------------|
| First                 | Up to \$99,999         | 0.250%           | 1.0%          |
| Next                  | \$100,000 to \$249,999 | 0.225%           | 0.9%          |
| Next                  | \$250,000 to \$499,999 | 0.200%           | 0.8%          |
| Next                  | \$500,000 to \$999,999 | 0.175%           | 0.7%          |
| Assets over           | \$1,000,000            | 0.150%           | 0.6%          |

The fee is charged on the entire account balance. The fees are computed and billed quarterly, in advance and are based on the market value of the account for the last day of the completed quarter. Initial charges will be pro-rated for the current quarter. On quarterly basis we will provide the client with statement showing all fees charged. Generally, fees are charged against client accounts. Fees are not adjusted for additions or withdrawals during the quarter. Fees are not based on capital gains or appreciation. We will, on occasion, negotiate alternative fees to the above for client accounts. Fees may also vary based on individual or family circumstances.

Individual accounts for members of the same family, defined as spouses and dependent children are assessed fees based on the total account balances of all family accounts. Accounts for business entities and accounts related thereto, including those of the business owner are assessed fees based on the total account balances of all such related accounts.

In addition to advisory fees paid to MSF, clients pay fees to mutual funds in the form of internal expenses at the fund level; these fees reduce the net value of the funds. Clients may also pay fees to the custodian for trade fees. MSF receives no portion of these internal expenses or trade fees. MSF diligently seeks to keep these costs to a minimum.

The client may terminate the investment advisory agreement without penalty within 5 business days after signing the investment advisory agreement. In all other situations, the investment advisory agreement is effective for one year and shall be automatically renewed for successive one-year terms unless terminated by either the client or us upon 30 days verbal or written notice; verbal notice to be followed within 14 days by written notice. Upon proper notice, any fees you have paid to us will be refunded pro-rata to you based upon the number of days our services used during the period of termination.

2. MSF services are provided to individuals, businesses, pension plan participants and trustees, trusts, estates and charitable organizations.

3. MSF offers advice on a variety of investments regarding domestic and international mutual funds, corporate bonds, government bonds, municipal bonds, CDs, preferred stock, exchange trades funds, individual securities listed that are exchange listed or over the counter. We do not make recommendations about the purchase, selling or timing of individual stocks other than the general observation of appropriateness to the overall portfolio, tax strategy or charitable gifting strategy.

4. MSF methods of analysis, sources of information, and investment strategies are based upon long-term investment strategies that incorporate the principles of Modern Portfolio Theory. Our investment approach is firmly rooted in the belief that markets are "efficient", and the investors' returns are determined principally by asset allocation decisions, not market timing or stock pricing. We may also recommend the use of long-term investment techniques such as dollar-cost averaging. The types of investments we recommend are passively managed, low expense ratio, mutual funds and exchange traded funds (ETFs). Our security analysis is based upon a number of factors including those derived by commercially available software technology, securities rating services, general market and financial information, due diligence reviews and specific investment analysis our clients request from time to time.

MSF uses information found in financial newspapers and magazines, research materials prepared by others, corporate rating services and we may also use outside consultants to provide expertise in certain circumstances.

5. MSF investment advisors are required to have a 4-yr degree and have completed the certified financial planning curriculum. All employees with professional designations are required to complete the annual continuing education to maintain that designation.

## 6. MSF education and business background on current investment advisors:

Name: J. David Ashby, DBA, CFP®, CPA

Year of birth: 1956

Formal Education after high school: DBA, Louisiana Tech University, 1996; MBA, University of Mississippi, 1978; BBA, Southern Arkansas University, 1977

Business back ground for the preceding five years: College professor (1992-present) and Financial Advisor (1997-2002), Managing Member for MSF (2002-present).

Name: Darla Williams, CFP®

Year of birth: 1963

Formal Education after high school: BBA, Southern Arkansas University, 1999

Business back ground for the preceding five years: Business Consultant for UALR Small Business Development Center (1999-2001); College Instructor (2000-2004) and Financial Advisor (2003-present), Managing Member for MSF (2005-Present).

Name: Bruce T. Butterfield, CFP®

Year of birth: 1963

Formal Education after high school: BBA, Southern Arkansas University, 2004

Business back ground for the preceding five years: Production Supervisor, Great Lakes Chemical Corporation (1995-2001) and Staff Accountant, Parks and Rothwell, CPA Offices (2003-present); Financial Advisor, MSF (2004-present), Managing Member for MSF (2011-Present).

Name: Jonathan Baird, CFP®

Year of birth: 1980

Formal Education after high school: Master of Divinity, Southern Baptist Theological Seminary, 2005; BBA, Southern Arkansas University, 2001

Business back ground for the preceding five years: Board Director and Assistant to the CEO, People's Bank of Magnolia (1996-Present); Associate, Kentucky Financial Group (2003) Financial Advisor, MSF (2005-present)

Name: Lannie J. Travis, Sr., CPA, CFP®, Certified Fraud Examiner

Year of birth: 1942

Formal Education after high school: BBA Accounting,

Business back ground for the preceding five years: Owner and Accountant with Lannie J. Travis CPA Office, (1973-Present); Financial Advisor and Tax Consultant, MSF (2005-present)

Name: K Michael Casey

Year of birth: 1962

Formal Education after high school: DBA Louisiana Tech University, May 1996, Major: Finance; MBA Louisiana Tech University, November 1992, Major: Finance; BBA University of Central Arkansas, December 1990, Major: Finance.

Business back ground for the preceding five years: Assistance Professor of Finance for University of Texas of the Permian Basin; Finance Professor at William Carey College 1997-98; Finance Professor at Henderson State University 1998-2003; Chair of Economics and Finance Department for University of Central Arkansas(2003-Present); Financial Advisor and Tax Consultant; Financial Advisor Trainee for MSF (2006-present)

Name: Angela Eaves

Year of birth: 1962

Formal Education after high school: BBA, Southern Arkansas University, 2004

Business back ground for the preceding five years: Owner and Manager of Hair Fashions (1984-2007); College Student (2000-2004) and Back Office Administration (2004-present), Financial Advisor 2008-Present for MSF. Managing Member for MSF (2011-Present).

Name: Zachary Talley

Year of birth: 1985

Formal Education after high school: BBA, Southern Arkansas University, 2007

Business back ground for the preceding five years: High School (1998-2003), College Student (2003-2007), Technology Coordinator for South Central Service Corp (2005); and Intern with MSF (2007) and Financial Advisor with MSF (2008-present).

7. J. David Ashby, principle and managing member of MSF is also employed full-time by Southern Arkansas University in Magnolia Arkansas as a full Professor in the College of Business.

Mike Casey, a registered advisor with MSF is also employed full-time by University of Central Arkansas in Conway Arkansas as a full Professor and Department Chair with the College of Business.

Angie Eaves, principle and managing member of MSF also works part-time as a hairdresser at Hair Fashions in Magnolia Arkansas. She owned the salon for more than 20 years before selling it to an associate in 2007.

8. Lannie J. Travis, Sr. is a registered investment advisor with MSF and owns and operates his own accounting business in West Helena, Arkansas. In addition to providing investment advisory services, Lannie provides tax consulting to the MSF at no charge.

Bruce Butterfield, principle and managing member with MSF and is also employed part-time with Parks and Rothwell, CPA in El Dorado, Arkansas. His employers on occasion refer clients to Bruce for Investment Advisory services. A signed agreement is used with the clients, the CPA firm and Mustard Seed Financial, which fully discloses the referral and that fees are paid to the firm for the referral.

Jonathan Baird is a registered investment advisor with MSF and is also employed with People's Bank and Trust of Magnolia. In the future he may have Investment Advisory clients referred to him by the bank for a fee. Jonathan will fully disclose this in writing to the client at the time and a signed agreement will be secured by both parties.

9. Advisors or employees for MSF may purchase mutual funds for our account that we recommend to clients in small amounts. Since our investment recommendations and personal investment strategy are determined principally by asset allocation decisions, not market timing or stock pricing, we do not believe a conflict of interest exists. Advisors for MSF do not recommend individual stocks and we do not purchase individual stocks in our personal accounts.

MSF has fully adopted the CFP Board Code of Ethics which states:

Principle 1 – Integrity

*A CFP Board designee shall offer and provide professional services with integrity.*

As discussed in "Composition and Scope," CFP Board designees may be placed by clients in positions of trust and confidence. The ultimate source of such public trust is the CFP Board designee's personal integrity. In deciding what is right and just, a CFP Board designee should rely on his or her integrity as the appropriate touchstone. Integrity demands honesty and candor

which must not be subordinated to personal gain and advantage. Within the characteristic of integrity, allowance can be made for innocent error and legitimate difference of opinion; but integrity cannot co-exist with deceit or subordination of one's principles. Integrity requires a CFP Board designee to observe not only the letter but also the spirit of this *Code Of Ethics*.

#### Principle 2 – Objectivity

*A CFP Board designee shall be objective in providing professional services to clients.*

Objectivity requires intellectual honesty and impartiality. It is an essential quality for any professional. Regardless of the particular service rendered or the capacity in which a CFP Board designee functions, a CFP Board designee should protect the integrity of his or her work, maintain objectivity, and avoid subordination of his or her judgment that would be in violation of this *Code Of Ethics*.

#### Principle 3 – Competence

*A CFP Board designee shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the CFP Board designee is engaged.*

One is competent only when he or she has attained and maintained an adequate level of knowledge and skill, and applies that knowledge effectively in providing services to clients. Competence also includes the wisdom to recognize the limitations of that knowledge and when consultation or client referral is appropriate. A CFP Board designee, by virtue of having earned the CFP® certification, is deemed to be qualified to practice financial planning. However, in addition to assimilating the common body of knowledge required and acquiring the necessary experience for certification, a CFP Board designee shall make a continuing commitment to learning and professional improvement.

#### Principle 4 – Fairness

*A CFP Board designee shall perform professional services in a manner that is fair and reasonable to clients, principals, partners and employers, and shall disclose conflict(s) of interest in providing such services.*

Fairness requires impartiality, intellectual honesty and disclosure of conflict(s) of interest. It involves a subordination of one's own feelings, prejudices and desires so as to achieve a proper balance of conflicting interests. Fairness is treating others in the same fashion that you would want to be treated and is an essential trait of any professional.

#### Principle 5 – Confidentiality

*A CFP Board designee shall not disclose any confidential client information without the specific consent of the client unless in response to proper legal process, to defend against charges of wrongdoing by the CFP Board designee or in connection with a civil dispute between the CFP Board designee and client.*

A client, by seeking the services of a CFP Board designee, may be interested in creating a relationship of personal trust and confidence with the CFP Board designee. This type of relationship can only be built upon the understanding that information supplied to the CFP Board designee will be confidential. In order to provide the contemplated services effectively and to protect the client's privacy, the CFP Board designee shall safeguard the confidentiality of such information.

#### Principle 6 – Professionalism

*A CFP Board designee's conduct in all matters shall reflect credit upon the profession.*

Because of the importance of the professional services rendered by CFP Board designees, there are attendant responsibilities to behave with dignity and courtesy to all those who use those

services, fellow professionals, and those in related professions. A CFP Board designee also has an obligation to cooperate with fellow CFP Board designees to enhance and maintain the profession's public image and to work jointly with other CFP Board designees to improve the quality of services. It is only through the combined efforts of all CFP Board designees, in cooperation with other professionals, that this vision can be realized.

#### Principle 7 – Diligence

*A CFP Board designee shall act diligently in providing professional services.*

Diligence is the provision of services in a reasonably prompt and thorough manner. Diligence also includes proper planning for, and supervision of, the rendering of professional services.

It is the policy of our firm, not to recommend individual stocks and avoid recommendations for selling individual stocks based on timing of the market. Our investment recommendations are based on Modern Portfolio Theory and asset allocations we deem appropriate for our clients based on risk tolerance. Although in our opinion this diminishes the inherent risks of misconduct, all advisors required to submit an annual holding report and quarterly securities transaction reports to the Chief Compliance Officer no more than 30 days following the close of each calendar quarter. All trades of individual securities (i.e. stocks) need to be reported immediately.

A copy of our Code of Ethics is provided at the initial engagement within the firm brochure or ADV Part II and is available upon request.

10. In 2010 MSF adopted an asset management minimum of \$250,000.00. This minimum does not apply to accounts established prior to 2010 and may be negotiable. The minimum does not apply to hourly consulting services.

11. Accounts are reviewed on a quarterly basis internally by and a formal review is attempted to be conducted annually or semi-annually by:

- J. David Ashby, CFP®, CPA, Registered Investment Advisor Representative and Managing Member of MSF, LLC. QTY 195 with assistance from others, Assists with all
- Darla Williams, CFP®, Registered Investment Advisor Representative and Managing Member of MSF. QTY 70, Assists with all
- Bruce Butterfield, Registered Investment Advisor Representative and Managing Member of MSF, QTY 77, Assists with 3
- Jonathan Baird, Registered Investment Advisor Representative, QTY 120
- Lannie J. Travis, Registered Investment Advisor Representative of MSF, QTY 120 with assistance
- Mike Casey, Registered Investment Advisor Representative of MSF, QTY 0
- Angela Eaves, Registered Investment Advisor Representative and Managing Member of MSF, QTY 63, Assists with all
- Zachary Talley, Registered Investment Advisor Representative of MSF, QTY 46, Assists with all

Annual reviews are scheduled based on anniversary date of I/A agreement and may include a semi-annual review for complex portfolios or ones that we partially manage. As an anniversary date approaches, the advisor will request statements to update records and ask if there have been any events which would cause a need to change objectives or plans of action, update family portfolio matrices and evaluate where the investments are compared to targets. During the review, the advisor will show the updated portfolio matrix and make recommendations for any changes or rebalance of portfolio.



12. MSF advisors may exercise discretionary authority without obtaining prior client consent, in limited situations, to buy or sell securities and to decide what amounts to buy or sell. It is MSF policy to contact clients prior to placing trades in client accounts to explain the recommendation and to get approval. Most accounts are setup with discretionary authority to MSF for the convenience of the client and MSF.

MSF may recommend/require that clients establish brokerage accounts with the Schwab Institutional® division of Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although MSF may recommend/require that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. MSF is independently owned and operated and not affiliated with Schwab. Schwab provides MSF with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon MSF committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For MSF 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 or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to MSF other products and services that benefit MSF but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of MSF's accounts, including accounts not maintained at Schwab. Schwab's products and services that assist MSF in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of MSF's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help MSF manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to MSF. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to MSF. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of MSF personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, MSF may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

MSF may recommend/require that clients establish brokerage accounts with The Vanguard Group®. The Vanguard Group Institutional also makes available to MSF other products and services that benefit MSF but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of MSF's accounts, including accounts not maintained at The Vanguard Group. The Vanguard Group's products and services that assist MSF in managing and administering clients' accounts include technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, and other market data. Although MSF may recommend/require that clients establish accounts at The Vanguard Group, it is the client's decision to custody assets with The Vanguard Group.

13. MSF pays an hourly fee to Planning for Wealth, LLC also d.b.a. Hulsey, Harwood and Associates, for pension consulting services. MSF may also recommend Planning for Wealth, LLC as third party administrator for qualified retirement plans. We are not compensated for that recommendation, but fees charged to our clients may be at a discount from normal prices based on negotiation.

MSF is paid a percentage of fees or a flat fee for assisting with meetings and presentations made to prospective clients of Planning for Wealth, LLC. This fee is negotiated with Planning for Wealth, LLC and does not increase the fees to the prospective client. MSF does not provide continuing services to those clients and does not contract with those clients.

Charles Schwab & Co. may extend various discounts for services and products to us that may not be offered to other investment advisory firms. These discounts apply to such products and services as software, mutual fund transaction costs and seminar and conference fees.

Mustard Seed receives free software from various sources, including DFA, which the firm utilizes as part of our considerations in forming asset allocation strategies.

MSF receives referrals from attorneys, accountants, and others. In certain circumstances we may pay a portion of our fee to the referrer. This is fully disclosed in a separate agreement between the referrer and the client and is also disclosed during the initial meeting and follow-up correspondence.

MSF has Registered Investment Advisors who are independent contractors that share in the management fee paid to Mustard Seed Financial, LLC. The accounts associated with these shared fees do not pay higher rates than those of other accounts with MSF.

14. Mustard Seed Financial, LLC is not required to submit a balance sheet because we do not custody assets with the exception of deduction of IA fees and we do not require pre-payment of fees for 6 months in advance or more.