



LORENCE & VANDER ZWART

(LVZ ADVISORS, INC.)

240 SOUTH RIVER AVENUE

HOLLAND, MI 49423

616-394-4994

www.lvzadvisors.com

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This Brochure provides information about the qualifications and business practices of LVZ Advisors, Inc.. If you have any questions about the contents of this Brochure, please contact Ryan Vander Zwart, Chief Compliance Officer, at 616-394-4994 or rvanderzwart@lvzadvisors.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.

We are 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 provides you with information about which you determine to hire or retain an investment adviser.

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

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ADVISORY BUSINESS

Our Owners and Principals

We are an investment advisor registered with the SEC with 64 solicitors in 36 states referring clients to us for their active portfolio management. Our firm was established in 1960 by John J. Lorence. John was joined in business by his son Jim Lorence in 1985. In 1992, Jim Lorence became the President of the firm. Ryan Vander Zwart joined the firm in 1994 and became Senior Vice-President of the firm in 2011. Nate Baumann joined the firm in 2007 and became Vice-President of the firm in 2011.

We are required to disclose the persons owning twenty-five percent (25%) or more of our firm's common stock. Jim Lorence and Ryan Vander Zwart are both principal owners of the firm and each owns more than twenty-five percent (25%) of the firm's outstanding common stock.

Our Financial Advisory Services

We provide financial advisory services to clients through investment management, investment consulting for assets outside our management, financial planning, and management of third-party investment managers.

Investment Management

For investment management clients, we supervise and review clients' investment portfolios on a discretionary basis, pursuant to an Investment Management Agreement signed by the client and our firm. Clients must complete a suitability questionnaire detailing client's goals, objectives, risk tolerance, and any special or particular circumstance unique to the client. Based on information gathered from the client's suitability questionnaire, we invest the client's assets in an investment portfolio (described below) based on an allocation suitable to the client's risk tolerance and investment goals.

We have two types of portfolio management approaches: traditional and defensive. In our traditional portfolio management, we have established six model portfolios with different investment objectives ranging from aggressive growth to income preservation. We actively manage these portfolios and may change, from time to time, the allocations within the portfolios. We use both fundamental and technical analysis in selecting the investments for a particular portfolio and timing of those investments.

We also manage defensive portfolios, which we call our Guardian Asset Allocation Portfolios. In our Guardian Asset Allocation Portfolios, we have established six model investment portfolios with different investment objectives ranging from aggressive growth to income preservation. While we also actively manage these portfolios, we rely more heavily on

trend analysis. That means that we may move the entire portfolio into cash or cash equivalents when we believe market conditions dictate a defensive position.

When we provide investment management services, the client's assets subject to our management will be transferred to a custodian chosen by the client. If upon transfer to the custodian, the client assets are not immediately available to invest, due to current market conditions or if we are in the process of changing our model allocations, client assets are held in short term money market funds.

Outside Management Consulting Services

For client's using our consulting services, we consult with the client regarding the client's investments on these assets pursuant to an Outside Management Service Consulting Agreement signed by the client. In so doing, we build a model to determine trading opportunities for the client's investments but the client must implement our recommended strategy. We charge clients a flat quarterly fee for this service, as described in more detail in the "**FEES AND COMPENSATION**" section beginning on page 4.

Financial Planning

Our financial planning services include furnishing financial and investment advice, recommending the purchase and sale of securities, or assisting in selecting and monitoring unaffiliated investment managers. These services and fees are set forth in a Financial Planning and Consulting Agreement signed by the client and our firm. For each client we develop a formal, written and comprehensive financial plan designed specifically for the client, which includes an analysis of the client's goals, all current assets including employer sponsored retirement plans and personal property, liabilities, insurance, taxation, and estate planning.

Selection and Monitoring Other Managers

Clients may hire us to evaluate, select, and monitor the investment performance of independent investment managers ("Third-Party Managers") pursuant to a Financial Planning and Consulting Agreement signed by the client and the firm. Third-Party Managers may offer specialized expertise and experience in specific asset classes to diversify the client's investment portfolio and strategies.

Initially, we perform a limited background investigation on each Third-Party Manager, based on the public information and that provided to us, such as their Form ADV Part 2A (like this document). We may from time to time update our limited background check on a Third-Party Manager if warranted by known changes in the Third-Party Manager's circumstances.

Together with the client, we decide which Third-Party Manager the client should use. Clients then directly hire that Third-Party Manager using the Third-Party Manager's contract and

pay the Third-Party Manager's fees and charges, described in its Form ADV Part 2A and contract. While we may be able to negotiate exceptions, generally clients will be subject to any minimum account size or other conditions imposed by each Third-Party Manager. After the client hires the Third Party Manager, we monitor and periodically report to the client on the Third-Party Manager's performance with respect to the client's assets it is managing.

Third-Party Managers are not affiliated with our firm and we are not responsible for their services, actions, omissions, or performance. Our responsibility is limited to initially evaluating and recommending suitable investment advisers for the client's account based upon reasonably available information at the time and periodically reporting on the Third-Party Manager's investment performance for the client's account. If we receive any compensation from a Third-Party Manager for making a referral, the client will receive a specific disclosure brochure describing the referral, the relationship, and compensation.

Termination of Services

Clients may terminate any of our services, without incurring a fee or penalty, within the first five business days after the date the client signs our client services contract. After this initial five-business day period, either we or the client may terminate the agreement for any reason upon five business days' written notice.

Upon termination of our investment management services, any pre-paid advisory fees will be prorated and, if more than \$5.00, refunded based on the number of days services were rendered during that calendar quarter, with the exception of the Small Balance fee described below in Fees and Compensation. Refunds of fees paid from a tax-qualified plan or account should be returned to the plan or account so the refund is not treated as a distribution. Some plan custodians may treat such refunds as new contributions, which may reduce the amount of other contributions clients can make during that tax year.

Upon termination of our financial planning and consulting services, we typically do not refund the initial deposit if we have performed services for the client's benefit. If we completed the project, the client is responsible for paying the balance due for our services rendered.

Upon termination of our management of Third-Party Managers, clients may continue using the Third-Party Manager; however, our responsibilities for the client's account and monitoring the Third-Party Manager's performance terminates.

Assets Under Management

As of December 31, 2011, we had \$183,000,000 of assets under our management managed on a discretionary basis and \$43,000 on a non-discretionary basis.

FEES AND COMPENSATION

Investment Management Fee Schedule

We may negotiate our investment management service fees based upon each client's circumstances taking into account the aggregate value of related accounts, the complexity of a client's account, or similar matters. Generally, the range of our advisory fees is:

Individual Equity Portfolios

An individual equity portfolio contains a majority of individual equity positions but may also include a minority position of exchange traded funds, closed ended/open ended mutual funds or fixed income securities.

Account Size	\$100,000 to \$1 million	Over \$1 million
Annual Advisory Fee	Up to 3% of account assets	Up to 2% of account assets

Asset Allocation Portfolios

An asset allocation portfolio contains a majority of exchanged traded funds, closed ended/open ended mutual funds or fixed income securities but may also include a minority position in individual equities.

Account Size	\$100,000 to \$1 million	Over \$1 million
Annual Advisory Fee	Up to 2% of account assets	Up to 1.75% of account assets

We determine fees based on the client's initial account value, as reported by the client's account custodian, and the value of the account at the end of each subsequent billing period. We prorate fees for the first billing period based on the day the account is opened. We bill our fees either monthly or quarterly in advance, as specified in our Investment Management Agreement with the client. We calculate fees based upon the value of the client's account(s) on the last day of the prior period (either last day of the month or quarter). Fees are calculated based upon the actual number of days in the billing period.

In addition to our advisory fees, clients are also responsible for any brokerage commissions, transaction fees, and other related costs and expenses. Clients may also 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 ac-

counts 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 our fee, and we will not receive any portion of these commissions, fees, and costs. Under some circumstances, described in the section titled "**Advisory Fee Off-Set**" on page 6, we may reduce our advisory fees because of the brokerage or other compensation a client pays for the client's account transactions.

Small Balance Fee

Unless we grant an exception, if the client's quarterly account value remains below \$100,000 we will charge the account a \$15 quarterly small balance fee to either the client or the Solicitor which referred the client to us, as indicated in the Solicitor's Disclosure Brochure signed by the client. This small balance fee is in addition to the account's investment management fee, and is not refunded when the account is terminated.

Our small balance quarterly fees are determined in the following manner:

Quarterly: If [Quarterly Account Value] < \$100,000 = \$15 small balance fee

Non-Traded Assets

We charge a flat investment advisory fee to monitor and advise clients on any non-traded assets in their account. We negotiate the fee depending on a number of factors including, the complexity of the assets, the amount invested, and the availability of information about the assets. This fee is in addition to the investment management fee, described above, paid to invest the client's account in one of our model portfolios.

Quarterly Management Fees

We waive all quarterly management fees, including fees from the firm and Solicitors, when both of the following occur at the same time: a) the account is funded with the custodian and ready to be managed within five days of the end of the quarter; and b) the total gross fee to be processed is less than \$5.00.

Direct Billing to Client's Custodian

Under the Investment Management Agreement, the client authorizes us to directly bill our fees to the custodian for the client account. The custodian's periodic statements will show each fee deduction from the client's account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing. However, we do not charge interest on overdue accounts and our fees are premised upon this automated billing process. If clients choose to withdraw the direct billing authorization, we may need to change our fee structure or terminate our services for the client.

Financial Planning and Consulting Fees

Depending on the services requested, our fees range from hourly, flat, or ongoing monthly rate fee for our financial planning services and other consultations, as stated in the Financial Planning and Consulting Agreement. We quote fees for financial plans in advance, and one-half of the estimated fee is due before we begin the planning services. The fee balance is due when we present the plan to the client.

We bill fees for other consulting services in arrears. For hourly billing projects, our maximum fee is \$300 per hour, based on the complexity of the project and the seniority of the representative performing the services. For fixed fee projects, we quote a fixed dollar amount, which may be based on a percentage, up to 3%, of the client's assets we are analyzing. In some cases, we may agree to an on-going monthly fee for on-going advisory services, billed and paid in advance or in arrears as specified in the Financial Planning and Consulting Agreement. Our minimum fee is \$250, which is negotiable under certain circumstances.

Third-Party Manager Monitoring Fee

Our advisory fees for this service may range up to 1.5% of the client's assets managed by a Third-Party Manager, as specified in our Financial Planning and Consulting Agreement. Our advisory fees are in addition to the fees charged by the Third-Party Manager. This is not a "wrap fee" program. Clients are also responsible for fees and charges for brokerage and custodial services incurred in connection with the Third-Party Manager's management of the client's account.

Outside Management Consulting Services

We may also consult with clients relative to investments that we cannot manage directly. In so doing, we build a model to determine trading opportunities. The fee, payable in advance, is \$750 per quarter. All fees are negotiable depending upon the characteristics of the account, such as the complexity of the services requested by the client, the investment choices and the accessibility of the investment and historical performance data.

Advisory Fee Off-Sets

As described in more detail set forth under the Section titled "**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**" beginning on page 11, our firm's principals and some of our employees are also registered representatives of Next Financial Group, Inc., a securities broker-dealer headquartered in Houston, Texas ("NEXT"). Clients may choose to implement our advice by separately entering into a brokerage account agreement with NEXT, but clients are under no obligation to do so or to use any of NEXT's brokerage services.

Similarly, our principals and some of our employees are insurance agents. When clients choose to purchase or sell securities using NEXT's brokerage services, or purchase insurance

through our principals or employees we may reduce our fees by the amount of some or all of the commissions we earned in those transactions for the first year from the point of purchase of such product. However, if clients purchase or sell securities through a solicitor that is a NEXT registered representative, as further described in the “**CLIENT REFERRALS AND COMPENSATION**” section beginning on page 15, the solicitor may or may not utilize a similar policy and off-set his or her commission. Also, if such products are sold by and through a registered representative to a client before the client becomes our client, the client must notify us of the date of purchase and we may negotiate the advisory fee off-set on a case by case basis. By giving our clients the benefit of this advisory fee off-set, we seek to mitigate the conflict of interests created by our receipt of these commissions. We may not give credit for our commissions in excess of our fees. Our policy governing our advisory fee off-sets is available upon request, and we will discuss any questions with clients about the policy.

More information about the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions) is contained in the “**BROKERAGE PRACTICES**” section beginning on page 13.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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

TYPES OF CLIENTS

We provide portfolio management services to individuals, high net worth individuals, trusts, estates, charitable organizations, corporations, and corporate pension and profit-sharing plans.

We impose certain conditions for starting or maintaining an account. A minimum of \$100,000 of cash and/or securities is generally required to open an account. We may waive this requirement if, for example, a client has additional or related accounts that together exceed the minimum requirements.

We generally require that accounts maintain a value of approximately \$100,000. We may require a client to add to the amount in order to maintain the minimum or request that the account be terminated. These conditions are negotiable in light of specific client’s circumstances and relationships with our firm and our principals and representatives. There is no minimum asset size for our financial planning services.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis

We use both fundamental and technical methods to analyze the securities in which we invest client accounts. Fundamental analysis is a technique that attempts to determine a security's value by focusing on the economic well-being of a financial entity as opposed to only its price movements. It generally involves assessing a company's or security's value based on factors such as financial structure, sales, earnings, assets, markets, management, products and services. When conducting fundamental analysis, we will review a company's financial statements and consider factors including, but not limited to, whether the company's revenue is growing, if the company is profitable, if the company is in a strong enough position to beat its competitors in the future, and if the company is able to repay its debts. Because it can take a long time for a company's value to be reflected in the market, the risk associated with this method of analysis is that a gain is not realized until the stock's market price rises to the company's true value.

We also utilize technical analysis to evaluate potential investments. Unlike fundamental analysis, technical analysis does not analyze the company's value, but instead analyzes the trends and movements in a security's price in the market. Technical analysis studies the supply and demand in the market in an attempt to determine what direction, or trend, will continue in the future. However, there are risks involved with this method, including the risk that the trends will change unpredictably, which is why we use a combination of methods and obtain information from a variety of sources.

Also, we obtain information from a number of sources, both public and by purchase, including financial newspapers and magazines, research materials prepared by third-parties, corporate rating services, annual reports, prospectuses and filings with the SEC and company press releases. We believe these resources for information are reliable and regularly depend on these resources for making our investment decisions; however, we are not responsible for the accuracy or completeness of this information.

Investment Strategies

We use a variety of investment strategies depending on the client's circumstances and needs. We may recommend long-term purchases (held at least a year), short term purchases (held less than a year), and trading (held less than 30 days). For some clients, we may recommend "short" sales, margin transactions, and options writing.

We may recommend implementing these strategies using stocks, bonds, mutual funds (held directly or held within variable annuities or life insurance products), and other types of investments. We often recommend mutual funds of different kinds to promote portfolio diver-

sification within various asset classes, such as industry sectors, domestic/international, or equities/bonds. When changes in client needs, market conditions, or economic developments occur, we may recommend periodic purchases, sales, and exchanges of those mutual fund shares within mutual fund families and between different mutual fund families.

We manage client portfolios according to our Individual Equity Portfolios and Asset Allocation Portfolios. However, not all client accounts will mirror the specific allocations of our model portfolios. This is because some clients have securities in their accounts that were transferred “in kind” and which can not be sold without tax implications or because some clients have otherwise restricted us from selling the securities in their accounts. Also, we may decide, given the client’s particular financial situation, that the client’s account requires a higher or lower allocation to equities, fixed income, or cash equivalents than what may be in our model portfolios.

Types of Investments and Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. Based upon discussions with the client, we will attempt to identify the balance of risks and rewards that is appropriate and comfortable for each client. However, it is still the client’s responsibility to ask questions if the client does not understand fully the risks associated with any investment or investment strategy.

We strive to render our best judgment on the client’s behalf. Still, we cannot assure clients that their investments will be profitable or that no losses will occur in their investment portfolio. Past performance is one relatively important consideration with respect to any investment or investment advisor, but it is not a predictor of future performance. While we will continuously strive to provide outstanding long term investment performance for our clients, many economic and market variables beyond our control can affect the performance of client investments.

We offer advice about a wide variety of investment types, including mutual funds, index funds, exchange-traded funds (“ETFs”), and fixed and variable annuities, each having different types and levels of risk. We will discuss these risks with the client when determining the investment objectives that will guide our investment advice for the client’s account. We will explain and answer any questions clients have about these kinds of investments, which present special considerations such as the following:

Mutual Funds, Index Funds and Exchange-Traded Funds

Mutual funds and ETFs typically charge their shareholders various advisory fees and expenses associated with the establishment and operation of the funds. These fees will generally include a management fee, shareholder servicing, other fund expenses, and sometimes a distri-

bution fee. If the fund also imposes sales charges, clients may pay an initial or deferred sales charge. These separate fees and expenses are disclosed in each fund's current prospectus, which is available from the fund or we can provide it to clients upon request.

Consequently, for any type of fund investment, it is important for clients to understand that they are directly and indirectly paying two levels of advisory fees and expenses: one layer of fees at the fund level and one layer of advisory fees and expenses to us. Generally speaking, most mutual funds may be purchased directly, without using our services and without incurring our advisory fees. Also, many mutual funds pay shareholder servicing fees (12b-1 fees) to brokerage firms and their registered representatives in consideration of their services to the fund's shareholders. As noted below, our principals and representatives are registered representatives of NEXT and, because of this may receive this type of compensation with respect to clients who invest in these funds.

Most mutual funds offer several "classes" of their shares which may be purchased by different types of investors or investors with different investment objectives. These are also described in the mutual funds' prospectuses. Depending on the client's investable assets, investment objectives, and time horizon, different classes may be more appropriate for the client's circumstances. We can discuss with the client the available classes of mutual fund shares that may be available, the different purposes for which they may be purchased, and the differences in commissions and charges associated with each share class.

Variable Annuities

Variable annuities are highly complex financial products offered by insurance companies. Investment in a variable annuity contract is subject to both general market risk and the insurance company's credit risk. These and other risks are described in the variable annuities' prospectuses. Variable annuities are regulated under both securities and insurance laws and related rules and regulations. Variable annuities offer various benefits and features which may or may not have value to a client depending on their circumstances, which we can discuss with the client. Like other types of investments, commissions are paid for the purchase of variable annuities and there may be substantial surrender charges. These commissions, surrender charges, and other expenses are disclosed in the prospectus.

Like mutual funds, insurance companies charge a variety of fees and charges against the assets invested in the separate accounts of their policy holders. As noted above, this means that there are two layers of advisory fees incurred—one layer by the insurance company and one layer to our firm for our advisory services.

If suitable, we recommend variable annuities by Security Benefit Group and Jackson National Life, whose products allow us to manage each client's separate account by giving pur-

chase and sell orders with no ticket (transaction) charges, and simultaneously manage multiple clients' accounts, which permits us to more efficiently offer clients better service. However, these products are not suitable for all clients in all circumstances and there are substantial costs associated with them, as described in each variable annuity's prospectus.

DISCIPLINARY INFORMATION

As a registered investment adviser, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of our firm or the integrity of our management. We have no legal or disciplinary events to disclose.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Affiliations and Compensation Received

One or more of our investment adviser representatives are registered representatives and/or investment adviser representatives of NEXT. NEXT is registered as a full service general securities broker-dealer and investment adviser with the SEC. NEXT is also a member of the Financial Industry Regulatory Authority, Inc. and the Securities Investor Protection Corporation. Registered representatives who are affiliated with NEXT in its capacity as a broker-dealer provide a variety of financial products or services and may render advice as to the value and/or advisability of purchasing or selling securities, without receiving special compensation and solely incidental to the conduct of its business as a broker-dealer. Such registered representatives may also offer impersonal investment advice (general advice not tailored to the specific needs of any individual) in the form of certain other products and services.

NEXT is a wholly owned subsidiary of NEXT Financial Holdings, Inc. NEXT Financial Holdings, Inc. is not a publicly traded company, however some registered representatives of NEXT may be individual stock holders in NEXT Financial Holdings, Inc. We are required to pay certain fees to NEXT Financial Holdings, Inc., increased revenues to NEXT may occur, increasing the value of NEXT Financial Holdings, Inc shares that our representatives may hold. You should be aware that this is a perceived conflict of interest. Your personal information may be shared with NEXT for transactional supervision purposes.

As registered representatives of NEXT, the principals and representatives of our firm are actively engaged in selling investment products and insurance products to clients. Our principals are also licensed insurance agents and sell life and health insurance products to clients, and prepare and process personal income tax returns for clients through an affiliated company, J. Lorence & Associates, Inc.

When clients use an affiliate business to purchase or sell securities, or to obtain tax preparation services, clients will incur commissions, fees, and charges which are not part of our

firm's advisory fees. These additional sources of compensation to our principals and representatives create a conflict of interest, which clients should carefully consider in determining to implement our advice. As described above and as provided in our client service agreements, we may reduce our advisory fees in consideration of these individuals receiving commissions and transaction-based compensation to mitigate these conflicts.

We also participate in a network of financial service providers who periodically gather to share professional ideas and experiences. Other participants of this network may refer prospective clients to our firm for its expertise, and we may refer clients to other network participants for their expertise. Unless separately disclosed to the client, these are made on an uncompensated basis; participants will, however, benefit from future cross-referrals. If compensation will be paid for the referral, then clients will receive a specific disclosure brochure about the nature of the referral, the referral relationship, and the referral compensation. Compensation or future benefits that we or other network participants receive from referrals creates conflicts of interests which clients should carefully consider in proceeding with such referrals. A client is never obligated to accept a referral and will not be charged any additional fee for it.

Compensation Received

When clients purchase securities through persons employed by NEXT or an affiliated business, those persons will separately receive commissions and other transaction-based compensation and, in some cases, on-going mutual fund servicing fees (12b-1 fees). As licensed insurance agents, our firm's principals and representatives receive insurance commissions on insurance purchases which we recommend. The additional compensation creates conflicts of interest, which clients should consider in engaging our services or the services of our affiliated businesses. Our advisory fee off-set policy, described above, is intended to mitigate those conflicts. Clients may always choose a different securities brokerage firm or insurance agent to implement our advice.

Our principals, James P. Lorence and Ryan Vander Zwart, are both stockholders in NEXT's parent company. Mr. Lorence owns more than 5% but less than 10% of the parent company while Mr. Vander Zwart owns less than 5% of the shares of that company. As such, both Mr. Lorence and Mr. Vander Zwart benefit as stockholders from securities transactions that are executed through NEXT.

CODE OF ETHICS

We have adopted a Code of Ethics describing the standards of business conduct we expect all officers, directors, employees, and advisory representatives to follow. The Code also describes certain reporting requirements with which particular individuals associated with or

employed by us must comply. We will provide a copy of the Code of Ethics to any client or prospective client upon request.

Our principals and representatives will often own the same securities recommended to our clients. Generally, these securities will be shares of open ended mutual funds or stocks and bonds actively traded on a national securities exchange or market where the time and size of their purchases or sales will not affect transactions for our clients. If we do recommend the purchase or sale of a thinly traded security to a client, we will ensure that their transactions do not adversely affect clients nor improperly benefit our principals and representatives, typically by completing their transactions after all client transactions have been made. Orders for clients and orders for our own accounts may sometimes be aggregated or “batched” into one large order in accordance with our trade aggregation and allocation policy (described in connection with our brokerage placement practices below). Aggregated orders may achieve better execution for all participating accounts and those benefits will be fairly allocated among all participating accounts.

Clients or prospective clients may request a copy of our Code of Ethics by contacting our Chief Compliance Officer, Ryan Vander Zwart.

BROKERAGE PRACTICES

Directed Brokerage

In our Investment Management Agreement, we recommend that clients use Fidelity Brokerage Services (“Fidelity”) or, at times, NEXT for their securities brokerage services. We primarily recommend Fidelity because we believe that Fidelity offers excellent brokerage account services and enhanced technology and flexibility for each client’s needs and objectives. At times, we may also recommend NEXT and its clearing broker dealer, which also offer excellent brokerage account services. It should be noted that our principals and representatives are separately registered with NEXT, and as such they may earn transaction-based compensation on transactions that are made through NEXT.

There are discount brokerage firms who offer brokerage services often at a lower rate than Fidelity or NEXT because they only execute transactions and carry securities brokerage accounts, and do not provide investment advice. However, we believe that the quality and value added by Fidelity and NEXT’s services are competitive with other full-service brokerage firms and outweigh the cost advantages of a discount broker.

When clients direct that all of the securities transactions for their accounts be handled by a particular broker-dealer of their choosing, clients must negotiate brokerage commissions and charges with the registered representative of that broker-dealer. Our firm cannot effectively negotiate for lower brokerage expenses on behalf of a client when the broker-dealer’s registered

representative is affiliated with our firm or when the business cannot be taken to a different brokerage service provider. Accordingly, clients that direct brokerage services may pay significantly more for brokerage services in some transactions. Transactions for client-directed brokerage accounts cannot be aggregated with discretionary brokerage accounts.

While broker-dealers cannot rebate any portion of their brokerage commission, broker-dealers may provide investment advisers with research-related services in exchange for handling their brokerage transactions. These services are “purchased” with “soft dollars”—accumulated credits from the brokerage firm in recognition of placing brokerage transactions through the investment adviser firm. We do not, at the present time, accept soft dollars.

Trade Allocation Policy

We have adopted a trade allocation policy to govern how we handle the aggregation of orders for more than one client’s account. From time to time and only where appropriate, we aggregate orders for securities transactions for more than one client and, in appropriate circumstances, include proprietary accounts. In doing so, we strive to treat each client fairly and will not favor one client or a proprietary account over another client. When executed, we will allocate the aggregated order in accordance with policies and procedures intended to achieve fair treatment. The purpose of aggregating orders is for our administrative convenience and, in some transactions, to obtain better execution for the aggregated order than might be achieved by processing each of the transactions separately.

We will not aggregate orders for a client having a directed brokerage relationship with a client who does not have a directed brokerage relationship with the same broker-dealer. A consequence of not aggregating a client’s order with other orders for the same securities is that the client may not obtain as good a price or as low a cost in a separate transaction as clients whose orders have been aggregated.

Each account that participates in an aggregated order will participate at the average share price for all transactions ordered by our firm in that security on a given business day. If permitted by the broker-dealer effecting the transaction, transaction costs will be shared on a pro rata basis. Some broker-dealers charge brokerage commissions to each participating client in accordance with the size of that client’s part of the aggregated order, regardless of the total size of the aggregated order. If an aggregated order is not filled in its entirety, it will be allocated among participating accounts on a pro rata basis.

REVIEW OF ACCOUNTS

The frequency and triggering factors for internal account reviews depend upon the services we provide to a client.

For our investment management service, we review client accounts on a regular basis, not less than quarterly. These reviews may be triggered by changes in a client's personal or financial information, market conditions or economic news or events. Reviews may involve the entire account or just specific securities held in the account. For our financial planning and consulting services, we review accounts at a client's request. The level of the review depends upon the client's request.

For portfolio management clients, we conduct reviews as requested by the client or at the time of significant new deposits or withdrawals, during substantial changes in market conditions, at our discretion, or according to the interval agreed upon at the time of engagement. Clients must contact us when a real or potential change in the client's financial condition occurs so we can review the portfolio along with the clients' new information to ensure the investment strategies continue to be appropriate.

Our principals review the securities within the client accounts on an ongoing basis. Responsibility for reviews is shared equally by the principals of our firm.

We provide reports, which would include portfolio performance and position statements, to our portfolio management clients or the client's solicitor, if applicable, upon client request. Clients may also receive such reports electronically upon request. These statements include the evaluation of each security in the account. We encourage personal meetings with each client at least annually.

For clients using our financial planning and consulting services, reports are provided upon completion of the project.

CLIENT REFERRALS AND OTHER COMPENSATION

We may engage solicitors to market our services. If we do so, the client will receive a separate solicitor's disclosure brochure describing our solicitation arrangements, the compensation we pay to the solicitor, and the terms of that relationship. The client will also receive a copy of this Form ADV, Part 2A, as our disclosure brochure. If the solicitor refers a client to us, the client's total advisory fees will be based, in part, on the amount of the solicitation fee we pay to the solicitor. These clients may be paying more than our other clients for the same advisory services depending upon the amount of the client's advisory fees paid to the solicitor. Our solicitors may include registered representatives of NEXT who may also receive compensation from NEXT as a result of marketing our services. As registered representatives of NEXT, the solicitors may also receive commissions, and in some cases, on-going mutual fund servicing fees (12b-1 fees) for transaction-based activity in the client's account. As described in further detail in the section titled "**FEES AND COMPENSATION – Advisor Fee Off-Sets**" beginning on

page 6, solicitors that are registered representatives of NEXT may not follow our advisory fee off-set policy.

As part of our marketing effort, we regularly provide additional training and education to our selected solicitors in due diligence, compliance and the technical aspects of our products and services which are valuable to their business. This training, including the travel, lodging and food expenses connected with such training, and is provided by us at no cost to the participating solicitors. Also, as part of our marketing effort, we may also pay to attend conferences and/or symposiums sponsored by broker-dealer firms who refer us business. The costs of the training and education and the conferences and/or symposium sponsorship is paid out of our portion of the advisory fees and are not an additional expense to clients or any other investor. We do not believe that such arrangements influence the individual solicitors of the broker-dealer firms to refer business to us or to other advisors with whom the broker-dealer may have similar agreements.

CUSTODY

Clients receive statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets on at least a quarterly basis. We urge clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to clients, as described in the "**REVIEW OF ACCOUNTS**" section beginning on page 14. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

INVESTMENT DISCRETION

If a client grants us discretionary authority, then that authority will be in writing in the agreement between the client and our firm. The discretionary authority gives us the power to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Generally the client will grant to us limited power of attorney under the custody agreement or in a separate authorization so the custodian recognizes that we have the power to direct the purchase and sale of securities within the client's account.

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

As described in more detail in the section titled "**ADVISORY BUSINESS**" beginning on page 1, clients may establish written investment guidelines and restrictions.

VOTING CLIENT SECURITIES

As a matter of firm policy and practice, we will not be responsible for responding to proxies that are solicited with respect to annual or special meetings of shareholders of securities held in a client's account. Proxy solicitation materials will be forwarded to the client for response and voting.

FINANCIAL INFORMATION

As a registered investment adviser, we are required to provide clients with certain financial information or disclosures about our financial condition if we have financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients. We have not been the subject of a bankruptcy proceeding and do not have any financial commitments that would impair our ability to meet any contractual or fiduciary commitments to our clients.

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