

## **Form ADV : Part 2 A & B**

As of March 16, 2011

**Part 2A: The Brochure:** This brochure discloses information about the qualifications and business practices of the investment advisory firm named below for the benefit of its clients and prospective clients. Please note that the terms “registered investment adviser” or “registered” do not imply a certain level of skill or training. If the adviser uses a wrap fee program, it is found in Appendix 1. If you have any questions about the contents of this brochure, please contact us at the contacts given below.

**Part 2B: The Brochure “Supplement** discloses information about persons providing advice.

**2A: Brochure : Item 1 :Cover Page :** for

### **Genesis Financial Advisory Services L.L.C.**

["GFAS"]

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*Please note that this brochure has not been approved by the Securities & Exchange Commission or by any state securities authority. This firm is registered with the SEC and notice filed in one or more states; **registration does not mean approval or verification by those regulators.** More information about the firm is at Investment Adviser Public Disclosure : [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**2A: Brochure : Item 2: Material Changes :** *If we amend this disclosure brochure, we are to send you either a new copy of the brochure or at least this item 2 describing the changes made so you can decide if you want us to send you a complete, new copy. A summary of material changes is :*

☐ attached as an exhibit to or

☐ included here as part of this updated brochure

or : No summary of material changes is required because there have been no material changes to this adviser's brochure since its last annual updating amendment.

The changes made are:

In Item

In Item

**2A: Brochure : Item 3 : Table of Contents** : Information that investment advisers must provide to prospective clients initially and to existing clients annually : 18 disclosure items that describe this firm’s advisory business. and (if applicable) Appendix 1 with disclosures required for a “wrap fee” program brochure [*a specialized brochure*].

Item 1. : <u>Cover Page</u> .:            The firm’s name, its address, contact information,	Page 1, above
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**ADV Part 2B for Mark Salerno ff.**

## 2A: Brochure : Items 4 – 18:

### Item 4. : This advisory firm's business

4. A. **Genesis Financial Advisory Services L.L.C.** is a New Jersey Limited Liability Company [IRS EIN # **22-3717051** ] GFAS registered to do business as an independent investment advisor in May of 2000. Since 5.16.2006 it has been registered with the SEC. Note : The use of the phrase “registered investment adviser” or the term “registered” do not imply a certain level of skill or training.

Our firm's sole owner is Mark Salerno, its President/ Managing Member and Chief Compliance Officer.

**Education and Business Standards** : GFAS requires its advisory representatives to have a college degree and/ or industry or professional experience, licensing and professional designation.

The firm is open for business from 9 am to 5 pm (EST), Monday through Friday.

4.B. Genesis Financial Advisory Services L.L.C. (“GFAS”, the “Adviser,” or the “firm”) is an independent registered investment advisor and offers Investment Management and Financial Planning Services.

#### Investment Management Services

The Adviser has entered into agreements with various third-party investment managers. The Adviser has the discretion to select from among the various programs sponsored by these investment managers on behalf of its clients. On occasion the third party investment managers will allow the Adviser to private label their programs. All investment managers with whom the Adviser will place client assets will maintain licensure as investment advisers in their resident state, or with the Securities and Exchange Commission, and in any other applicable jurisdictions.

The Adviser works with its clients to analyze their current financial situation and determine their risk return profile. The Adviser will recommend Portfolio Strategist(s) and investment management strategies consistent with the clients' of risk and return expectations. Additionally, the Adviser analyzes Portfolio Strategist(s) for style and performance, and makes investment recommendations based on the client's investment goals. The Adviser has an ongoing responsibility to ensure that the Portfolio Strategists selected continue to be an appropriate fit for the client. Currently the third party providers are Genworth and Manning & Napier. The Client is responsible for informing the Adviser if the Client's personal or financial situation changes.

#### Financial Planning Services

Genesis offers financial planning services. Financial planning denotes the process of determining whether and how an individual can meet life goals through the proper management of financial resources. Financial planning integrates the financial planning process with various financial planning subject areas. The basic subject fields covered typically include, but are not limited to:

- Goals Clarification
- Cash flow analysis, planning and budgeting
- Investment Planning (including portfolio design, asset allocation and portfolio management)
- Income Tax Planning
- Education Planning
- Risk management and insurance planning

- Retirement Planning
- Estate Planning
- Planning needs for Businesses and Business Owners

The financial planning process typically includes but is not limited to some or all of these six elements:

- Establishing and defining the client planner relationship
- Gathering client data including goals
- Analyzing and evaluating the clients current financial status
- Developing and presenting recommendations and/or alternatives
- Implementing recommendations and
- Monitoring the recommendations

If the client chooses to implement recommendations contained in the financial plan the client should work closely with the appropriate investment, insurance, tax, legal or other professionals. Implementation of the financial plan is entirely at the discretion of the client.

On more than occasional basis Adviser furnishes advice to clients on matters not involving securities. Financial plans may include recommendations regarding insurance, tax, estate, education, and business planning and investments which are not securities.

When multiple services are offered there is a potential conflict of interest since there is an incentive for the party offering financial planning services to recommend products or services for which the Adviser, or a related party, may receive compensation. However, financial planning clients are under no obligation to act upon any recommendations of the Adviser or to effect any transactions through the Adviser if they decide to follow the recommendations.

4.C. Do we tailor our advisory services to a client's individual needs and how do we do so?  
Can clients impose restrictions on investing in certain securities or types of securities?

By their nature, financial planning services must be based on each client's individual needs and life goals to have any useful validity. As a fiduciary, an investment adviser is to make only those recommendations that demonstrably are in the client's own best interests, which means that they, too, must be based on an individual's stated and/ or established, individual needs, goals, risk tolerance and investment time horizon. The firm seeks to establish this personal dimension through a careful, fact-finding interview and discussions with each client.

Clients may impose reasonable restrictions on the adviser's discretion to invest in certain securities or types of securities if a client provides clear, written directions to that effect.

A client's ability to impose restrictions on third party investment advisers' discretion occurs at the beginning of the process at which time a client accepts or chooses not to invest in the recommended programs. Clients may withdraw from the programs at any time as well.

**Genesis Financial Advisory Services** may exercise discretion over the investment platforms that pursue their goals as stated in their prospectuses and ADV forms Part 2A. Clients may opt for non-discretionary management in the Genworth platforms as well.

4.D. Do we participate in a wrap fee program providing portfolio management services? Yes, we do.

(1) How does our management of the wrap fee accounts differ, if it does, from how we manage other accounts? GFAS treats all accounts with the attention each account requires.

(2) Notice to clients : We receive a portion of the wrap fee for our advisory services.

4. E. As of 12.31.2010 this firm managed assets of \$26,898,216 million in a continuous and regular manner. GFAS manages approximately \$21.1 million of those assets in the Genworth platforms. GFAS normally accedes to all rebalancings that the manager proposes.

Item 5 : Fees and Compensation. . — How our firm is compensated

5.A. A description of the range of fees.  
Are our fees negotiable? Yes.

Investment Management Services

Investment management fees are payable quarterly, in advance, based on a percentage of assets under management. Fees are negotiable.

GFAS' Schedule of Management Fees

NO LOAD MUTUAL FUND ACCOUNTS:

Amount of Invested Capital:	Total Advisory Fee
First \$ 250,000	1.45%
Next \$ 250,000	1.35%
Next \$ 500,000	1.25%
Next \$ 1,000,000	1.00%
Over \$ 2,000,000	0.70%

EXCHANGE TRADED FUND ACCOUNTS (ETF'S):

Amount of Invested Capital:	Total Advisory Fee
First \$ 250,000	1.65%
Next \$ 250,000	1.55%
Next \$ 500,000	1.45%
Next \$ 1,000,000	1.20%
Over \$ 2,000,000	0.90%

INDIVIDUAL MANAGED ACCOUNTS (IMA):

Amount of Invested Capital:	Total Advisory Fee
First \$ 250,000	1.75%
Next \$ 250,000	1.45%
Next \$ 500,000	1.40%
Next \$ 1,000,000	1.15%
Over \$ 2,000,000	0.95%

UNIFIED MANAGED ACCOUNTS (UMA):

Amount of Invested Capital:	Total Advisory Fee
First \$ 250,000	1.75%
Next \$ 250,000	1.40%
Next \$ 500,000	1.30%
Next \$ 1,000,000	1.10%
Over \$ 2,000,000	0.90%

CONSOLIDATED and PRIVATELY MANAGED ACCOUNTS:

Amount of Invested Capital:	Total Advisory Fee
First \$ 250,000	1.90%
Next \$ 250,000	1.80%
Next \$ 500,000	1.70%
Next \$ 1,000,000	1.55%
Over \$ 2,000,000	1.30%

The fee charged is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.

The fee that GFAS clients pay to independent third-party advisers are established and payable in accordance with the Form ADV Part 2A of each independent third-party adviser and may or may not be negotiable, as disclosed in the disclosure documents of the third-party adviser.

Clients whose assets are placed with third-party investment advisers will receive full disclosure, including services rendered and fee schedules, at the time of the placement, by delivery of a copy of the relevant third-party adviser's Form ADV Part 2A prior to investing in their platforms. In addition, if the investment program is a wrap fee program the client will also receive the Appendix 1 to Part 2A for that program sponsor.

Financial Planning Services

Financial Planning engagements are offered on a fixed fee or hourly basis. Hourly fees range from \$75 to \$250 per hour. Fixed fees are negotiated based on the nature and complexity of specific circumstances, typically ranging from \$1,500 to \$10,000. An exact fee will be quoted with each client at the inception of the agreement. The fee is due upon presentation of the plan to the client. A retainer fee may be required and it will never be more than \$500, and will never be paid six months or more in advance.

5.B. . Disclosure : Does our firm bill its clients for the incurred advisory fees by :

- Sending an invoice to the client, OR Obtaining each client's signed permission to deduct the advisory fees from the client's account held by the custodian, OR
- May clients select either method of billing? The third party manager agreement in some cases allows the client to pay advisory fees by means other than direct billing.

How often does the adviser assess fees (or bill clients)? GFAS charges its Portfolio Management fees quarterly in advance. The firm charges its Financial Planning fees as due when the adviser presents the plan.

The third party investment platform advisers generally do practice "direct billing." To do so, an adviser must first obtain a client's written permission to deduct its advisory fees directly from the client's account held by the custodian. [See the ADV Part 1B, Item 2. I] Clients that our firm refers to Genworth's platforms ("GFWM") sign an agreement with Genworth authorizing GFWM to bill the client's account directly and to pay GFAS its portion of that fee. Indirectly, then, GFAS obtains its fees from the direct billing done by the third party platform managers. We do not send an invoice to the client ourselves for payment of our portfolio management fees. GFAS does create an invoice for its financial planning services.

5.C. . Disclosure : Other types of fees or expenses clients may pay in connection with the advisory services. Clients should be aware that opening an investment account carries with it costs beyond the

advisory fee(s) GFAS charges. When placing a transaction order to buy or sell securities, advisory clients may have to pay any or all of the following charges in addition to the advisory fees charged by this firm.

- Brokerage commissions
- custodian fees
- postage charges
- processing charges
- Ticket charges
- Early surrender
- Transfer fees
- administrative fees for investments in mutual fund fees,
- and 12b-1 fees in addition to administrative fees, and other marketing fees for mutual funds, paid to a broker dealer;
- account maintenance fees charged by a broker dealer for an account, especially if inactive.

The account Custodian may charge fees, which are in addition to and separate from the investment advisory service fee. Custodians may charge accounts for various transaction costs, retirement plan and administration fees. In addition, some mutual fund assets deposited in the account may have been subject to deferred sales charges and 12 (b)(1) fees and other mutual fund annual expenses as described in the fund's prospectus. Advisory clients should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources. Many or all of these charges appear in the expenses in an account statement, not as charged to the client, but taken from the account's performance; the client does not necessarily pay them directly as the client does a fee.

We direct clients to this brochure's Item 12 for further discussion of brokerage costs.

5.D. . Disclosure : Do clients pay fees in advance? Yes, for portfolio management services they do.

How may a client obtain a refund of a pre-paid fee if the contract is terminated prior to a billed period's end? How will the amount of the refund be determined?

Clients may terminate an agreement for portfolio management services at any time and receive a full pro-rated refund of any unearned fees. Instructions to terminate accounts must be received in writing. At anytime within five (5) business days after the date of entering into an investment advisory agreement with a client may terminate the agreement, without penalty, and will receive a complete refund of any fees paid.

With regard to financial planning fees, if a client has paid a retainer and the agreement is cancelled afterward, GFAS will calculate and send a refund to that client; the advisor may pro-rate the amount and levy a charge against the retainer for work already completed.

Genworth Financial Wealth Management ["GFWM"] and Manning & Napier :When appropriate, GFAS may provide referrals to investment service programs in which client accounts are managed by independent third party advisors. These provide additional investment opportunities among mutual funds, variable annuities, stocks, bonds and additional securities.

The fee schedule for investment service programs managed by independent third party advisors shall be guided by those advisors. GFWM shall not generally exceed 3.0% of the account balance on an annual basis. Fees shall be deducted from the client's account either in advance or in arrears, depending upon the third party advisor and may be negotiated in addition to other methods. Termination of management and refund of fees shall be determined by the third party advisors.

5.E. Disclosure : Does the firm or any of its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds?

#### **Outside Business Activity & Other Financial Industry Activities or Affiliations**

Related persons of Advisor are registered representatives of United Planners' Financial Services of America, (UPFSA), a registered broker-dealer, and member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Advisor is also an insurance broker and its related persons are licensed as brokers of the Advisor and various insurance carriers. These individuals may spend as much as 40% of their time in these related activities.

In these capacities related persons may recommend securities, insurance, advisory, or other products, and receive compensation if products are purchased through any firms with which any related persons are affiliated. Thus, a conflict of interest exists between the interests of related persons and those of the advisory clients. However, clients are under no obligation to act upon any recommendations of the related persons or effect any transactions through the related persons if they decide to follow the recommendations.

The Adviser has also privately labeled a third party investment management platform; it is being marketed as the Genesis Asset Management Program.

Disclosure 5.E.1. Whenever an investment advisory firm's representatives may earn a commission, or mutual fund management 12b-1 fees, or other forms of sales charges in their capacity as the registered representatives of a broker-dealer, that arrangement creates an incentive to recommend those sales and, as a consequence, an inherent possibility for a conflict of interest. An advisor is a fiduciary who is required to make only those recommendations for a client that solely are in the client's own best interest, uninfluenced by any calculation of personal gain. Note that GFAS does not receive these fees that only a broker dealer and its representatives may earn.

Our firm addresses this potential conflict of interest by informing clients of the conflict in this disclosure brochure. Mr. Salerno does not receive any 12(b)-1 fees associated with mutual fund purchases effected in the third party managers' platforms.

We normally do not reduce our advisory fees to offset the commissions or markups.

Disclosure 5.E.2. [Explain] Clients always have the option to purchase through unaffiliated broker-dealers and their agents those investment products our firm recommends.

Disclosure 5.E.3 Does our advisory firm receive more than half its revenue from commissions and other sales-based compensation? No, our firm's only business activity, in time and in revenues, is its fee-based advisory service. Financial planning may include advice on products not deemed investments (insurance, for example).

Disclosure 5.E. 4. Do we charge advisory fees in addition to commissions or markups? We do, of course, charge advisory fees. That is how most investment advisers perform business. Our investment advisory firm is not also a broker dealer and therefore does not receive commissions or markups.

Other disclosures for this section : ETFs and mutual funds provide the majority of the platforms in the Genworth programs; Manning & Napier's platforms concentrate on individual stocks and bonds,, but also include proprietary mutual funds in their models. Our firm does recommend some, but not necessarily primarily, mutual funds to our clients. Those recommendations do include "no-load" funds, which impose no commission or sales charge ("load") on the shareholder and are purchased directly from the fund company, rather than through a broker.



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

Does our firm charge performance-based fees [fees based on a portfolio's increase in asset value] ? No, it does not. [See also: Form ADV Part 1A, Item 5. E. (6). Does our firm have a supervised person who manages an account that pays performance fees? No, it does not.

NOTE : Regulators have stated that performance fees can cause incentives for an adviser to manage a portfolio with an eye to short term gains only, including investments that are more speculative or have a higher risk of loss. They may also tempt an advisor to allocate more time to them than to other clients' portfolios due to the possibility of a higher fee. As a fiduciary, an investment adviser is to provide equitable treatment to each client's managed portfolio as if it were the adviser's own portfolio - within the investment parameters agreed to with the client.

Item 7. : Types of Clients.

Typically our clients include high net worth and other individuals and pension and profit-sharing plans. We are prepared to provide services to charitable organizations, estates, and trusts as well.

**Conditions of Managing Accounts**

The minimum investment required for investment management services are:

No Load Mutual Funds.....	\$50,000
Exchange Traded Funds .....	\$100,000
Unified Managed Accounts (UMA).....	\$100,000
Individually Managed Accounts (IMA).....	\$100,000
Consolidated & Privately Managed Accounts (CMA)...	\$500,000

At its discretion, the Adviser may accept accounts below these minimums on an individual basis.

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

A. An adviser must describe its methods of analysis and investment strategies used in formulating its investment advice. It must explain in detail any unusual risks.

**Caution : Investing in securities involves risk of loss.**

In formulating advice, GFAS' adviser may apply a fundamental analysis.

**Fundamental Analysis** – Called the “bottom-up” approach to investing, a fundamental analysis seeks an in-depth understanding of a **specific firm/** company to evaluate its intrinsic value and its future prospects before investing in its stock. Such an analysis studies the firm's management, its debt, equity and cash flow, history of financial performance/ growth, dividend payout percentages, its products, operating efficiency and marketing structures, among other factors. The firm's balance sheet and income statement are two key sources of information about the firm.

Fundamental Analysis will compare a firm's stock price with its earnings per share and its net earnings to its gross revenues and compare both with the averages for that industry sector. The ratio of current

liabilities to current assets is another important element of this form of evaluation. A central focus is deciding whether the stock is over-valued or undervalued.

As a term in large-scale economics, a fundamental analysis studies gross national product, inflation and interest rates, trade and unemployment trends, consumer confidence, savings and spending patterns and inventories in order to predict the larger movements of national and international economies. These larger concerns greatly influence the elements considered in a fundamental analysis of any given company.

**Risks** inherent in using a fundamental analysis : The factors involved can require time-consuming study that can fall behind the need to make decisions, if such factors begin to change rapidly. Few of the numbers are absolutes; many are relative to other factors or industry sector information. Most require intelligent judgment and experience to be applied meaningfully to stock values.

Fundamental analysis places value on the financial structure and health of the firm to be invested in. These factors at times are of little or no interest to the market place, such that the stock prices for very sound companies may wither when investors look to other reasons and areas for investing.

For a relatively short time period, a firm can falsify facts to hide poor performance or a fragile financial situation. The independence of balance sheets' and other reports' numerical information from such possible manipulation may not be readily verifiable.

Additionally, time spent using any one analytical method will compete with other analytical methods which might have proven more useful and profitable.

In formulating our investment advice, the firm uses financial newspapers and magazines, research prepared by others, annual reports, prospectuses, and filings with the SEC. GFAS also relies on the investment research and analyses included within the platforms created by the third party managers.

#### Third Party Money Managers

GFAS introduces clients to third party investment advisors who provide discretionary management of individual portfolios of equity and/or fixed income securities. In advising firm's retail clients investing in the programs of third party investment advisors, firm uses model portfolios of mutual funds, Exchange Traded Funds (ETF's) and Variable Annuity sub-accounts, and individual stocks and bonds provided by a number of institutional investment strategists and based on their information, research, asset allocation methodology and investment strategists.

**Risks** in using these methods and strategies : As the managers' strategies and methods may vary widely, they may include the risks noted above in a fundamental analysis or others specific to their methods. None is a proven, absolutely sure means of obtaining positive results. There is always a risk-return relationship : the greater the chance of a higher return on an investment, the higher will be the risk of loss as well.

8. B. An advisor must explain the material risks involved in frequent trading if its strategy involves frequent trading of securities. An advisor must explain how frequent trading can affect performance.

GFAS' trading strategies include holding for the long term (a year or more) and short term investments (traded within a year). The third party manager platforms may include more frequent trading, tactical unconstrained investment management and absolute return strategies, for example; clients should read carefully the disclosures for each program.

What may be regarded as “frequent trading” varies according to

- the client and the strategy for that client’s specific account – one client may have multiple accounts that apply different strategies
- to the type of security or relative mix of securities involved
- and to the current nature of the market.

All these strategies are intended to enhance the portfolio’s value and ability to meet a client’s stated goals. All trades will add some costs to be deducted from a client’s account and could reduce the overall return or growth in a client’s account, if carefully measured against what its value would have been had the adviser not placed the transactions.

The third party strategists review portfolios on a regular basis to rebalance them if needed in order to maintain the agreed-upon weighting of asset classes. All trading will add costs against an account’s performance; frequent trading will increase those costs, potentially reducing overall performance. To ascertain the effect, it is necessary to factor in the losses or gains that would have proven true had the rebalancing not made the trades.

8.C. Do we recommend primarily a particular type of security? What are the material risks involved with that type of security? Are those risks unusual or significant?

GFAS recommends third party platforms. Those may include any or all of the items noted below, on which GFAS’ representative is prepared to provide advice.

<u>Equity Securities</u>	<u>Notable risks</u> involved with this type of investment
exchange-listed securities	Market fluctuations can bring losses, lower dividends
over-the-counter securities	More susceptible to market fluctuations; higher risk
Corporate debt securities	Same as exchange listed, corporate bonds involve credit risk
Commercial paper	Same as OTC
Certificates of deposit	Limited liquidity
Municipal securities	Same as exchange listed; It is possible that they can default
Investment company securities	
variable life insurance	Insurance company could go out of business; the value of the subaccounts are subject to market fluctuation and loss
variable annuities	Same as variable life
mutual fund shares	Market fluctuations can bring losses; various fees
US government securities	Returns can be low or even, rarely, negative. As hedge against equity market risk, mirror them.
Interests in partnerships investing in	
real estate	Historically prone to bubbles and after effects; may lose entire amount invested; not covered by SIPC
Other : Third party investment advisers’ portfolio platforms	

Please see item 12 for further discussion of brokerage.

#### Item 9 :Disciplinary Information.

What facts about any legal or disciplinary event involving our firm or its personnel should you know of,

because it is material to an evaluation of the integrity of our firm or its management persons?

The SEC requires that we inform you, our client, if our firm or any of our management persons has been involved in any of the events listed below in 9. A, B, and C. and, beyond those points, if there is any material fact about any legal or disciplinary event that you should know about in order to evaluate our integrity. GFAS clients and prospective clients may also see these same questions answered online at the investment adviser public disclosure site (IAPD), in Part 1A, Item 11.

**Has our firm or any of our management persons been involved in :**

9. A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which our firm or a management person

1. was convicted of, or pled guilty or *nolo contendere* ("no contest") to
  - (a) any felony? **No, our firm has not and no one in our firm has been.**
  - (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion? **No, our firm has not and no one in our firm has been.** or
  - (c) a conspiracy to commit any of these offenses? **No, our firm has not and no one in our firm has been.**
2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses? **No, our firm has not and no one in our firm has been.**
3. was found to have been involved in a violation of an investment-related statute or regulation? **No, our firm has not and no one in our firm has been.** or
4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, our firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order? **No, our firm has not and no one in our firm has been.**

9. B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which our firm or a management person -

1. was found to have caused an investment-related business to lose its authorization to do business? **No, our firm has not and no one in our firm has been.** or
2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
  - (a) denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business? **No, our firm has not and no one in our firm has been.**
  - (b) barring or suspending our firm's or a management person's association with an investment-related business? **No, our firm has not and no one in our firm has been.**
  - (c) otherwise significantly limiting our firm's or a management person's investment-related activities? **No, our firm has not and no one in our firm has been.** or
  - (d) imposing a civil money penalty of more than \$2,500 on our firm or a management person? **No, our firm has not and no one in our firm has been.**

9. C. A self-regulatory organization (SRO) proceeding in which our firm or a management person
1. was found to have caused an investment-related business to lose its authorization to do business?  
**No, our firm has not and no one in our firm has been.** or
  2. was found to have been involved in a violation of the SRO's rules and was:
    - (i) barred or suspended from membership or from association with other members, or was expelled from membership? **No, our firm has not and no one in our firm has been.;**
    - (ii) otherwise significantly limited from investment-related activities? **No, our firm has not and no one in our firm has been.** or
    - (iii) fined more than \$2,500 - **No, our firm has not and no one in our firm has been..**

Item 10 :Other Financial Industry Activities and Affiliations.

What material relationships does our firm or any of our management persons have with related financial industry participants? What material conflicts of interest may arise from these relationships and how are these conflicts addressed?

A. Have we, or has any of our management persons, registered either as a broker-dealer or as the representative of a broker-dealer? OR, Do we or any management person have such a registration pending?

**Outside Business Activity & Other Financial Industry Activities or Affiliations**

As noted above in item 5, GFAS representatives are also registered representatives of United Planners' Financial Services of America, (UPFSA), a registered broker-dealer, and member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Mr. Salerno is a limited partner in UPFSA (less than 1%).

GFAS is listed as an insurance broker so that it may receive certain payments for insurance products (non-brokerage). GFAS' representatives are licensed to broker insurance products from various insurance carriers. These individuals may spend as much as 40% of their time in these related activities.

Advisory representatives may recommend securities, insurance, advisory, or other products, and in their other capacities as agents of another firm receive compensation if a GFAS client purchases those recommended products through that agent or through any firm, related or not. The payment an agent will receive creates a conflict of interest. An adviser is to make recommendations that are in the client's own best interest only, free of the influence of gain for the adviser. However, a client is under no obligation to act upon any recommendations or to effect any transactions through the related persons if that client decides to follow the recommendations.

**Participation or Interest in Client Transactions**

In their capacity as registered representatives, persons who also are GFAS representatives may receive payments from certain mutual funds distributed pursuant to a 12b-1 distribution plan or other such plans as compensation for administrative services, representing a separate financial interest. The payment creates an inherent risk for a conflict of interest with respect to recommendations to buy or sell securities. In all cases, transactions are effected in the best interests of the client. The Adviser does not permit insider trading and has implemented procedures to ensure that its policy regarding insider trading is being

observed by associated persons, to include information, signed acknowledgement and reviews of trading activities.

B. Have we, or has any of our management persons, registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of these entities named here? OR, Do we or any management person have such a registration pending?

No, none of this item applies to our firm.

C. Do we have any “related person” – a person or a firm that we control or that controls us through ownership or as an officer – with whom we have a material relationship, any arrangement that may cause a conflict of interest when providing our clients with investment advice?

Mr. Salerno is a limited partner in the broker dealer, UPFSA, but that ownership interest is not a controlling interest. GFAS does not have a related firm or person who is a :

- |  |   |
|--|---|
| • Broker Dealer  | • another investment adviser/ financial planner                                       |
| • Municipal Securities Dealer                              | • a futures commission merchant, commodity pool operator or commodity trading advisor |
| • Government Securities Dealer or Broker                   | • a bank or a thrift institution  |
| • An investment company or other pooled investment vehicle | • an accountant or accounting firm  |
| • including a mutual fund,                                 | • a lawyer or a law firm  |
| • closed-end investment company                            | • an insurance company or agency  |
| • unit investment trust                                    | • a pension consultant  |
| • private investment company                               | • a real estate broker or dealer  |
| • hedge fund   | • a sponsor or syndicator of limited partnerships.                                    |
| • offshore fund  |   |

An adviser’s **related persons** are: (1) the adviser’s officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling, controlled by, or under common control with the adviser; (3) all of the adviser’s current employees; and (4) any person providing investment advice on the adviser’s behalf.

D. Do we recommend or select other investment advisers for our clients? Yes, we do. The Adviser has privately labeled a third party investment management platform; it is being marketed as the Genesis Asset Management Program. In this Program, the adviser introduces clients to – and advises on the selection of – independent investment managers who provide discretionary management of individual portfolios. These portfolios include a wide variety of different securities types. Clients will receive a separate disclosure from those investment managers regarding any the investment manager’s advisory fees.

There are over 30 investment management firms on the platform with over 150 model investment portfolios. Clients may find the full description of the services offered page 1/9 of the Client Services Agreement for Genworth.

Do we receive compensation from those other advisers for our referrals? Yes. Manning & Napier Advisory Advantage Corporation and Genworth will pay GFAS a portion of the fee that our referred client pays to Genworth. That payment will not increase the fee a client pays. The compensation GFAS will receive, clients should note, creates an incentive to make the recommendation and thereby an inherent risk for a conflict of interest. We address this possible conflict of interest by disclosing it to our clients.

Do we have any other business relationships with these advisers that also could cause a conflict of interest and, if “yes,” how do we address them? NO. GFAS does not currently receive other benefits, such as marketing assistance.

Item 11. Code of Ethics / Advisory Persons’ own trading and possible personal interest in our clients’ trades.

A. As required by SEC rule 204A-1 or similar state rules our firm has adopted a Code of Ethics.

The Adviser has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Adviser and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code to any client or prospective client upon request.

Please note that using any insider information, information that is not readily available to all participants in the securities markets (upon making a reasonable effort to obtain that information), for any person, ourselves or relatives or clients or any other person, is strictly illegal and punishable by fines and imprisonment.

**How our firm controls sensitive information:**

- Building security :24 hour per day concierge/ visitor screening,
- locked office doors and receptionist
- locked cabinet files
- password protected computer screens and databases; screen savers
- fire prevention equipment
- office area under continual supervision.

11. B. [ also in Form ADV Part 1A, Item 8. (1)(2) (3) ]

Does our firm or a related person recommend to our clients, or do we buy or sell for our clients’ accounts, securities in which we or a related person has a material interest?

Our associates **do** purchase mutual funds; those mutual funds Mr. Salerno purchases he obtains through the Genworth platform that he may use for his advisory clients. GFAS permits its associates to invest in securities related to those we may recommend to clients, such as derivatives

Our firm and its associates **do not**

- buy securities for the firm or for themselves from advisory clients (principal transactions);
- sell securities the firm or its associates own to advisory clients (principal transactions);
- in their capacity as a broker/ dealer agent, transact purchases or sales of any client’s securities directly to any other person (an “agency cross transaction” that side-steps using a securities market place)
- recommend securities (or other investment products) to our advisory clients in which our firm or any person or other firm related to our firm has some other proprietary (ownership) or other financial interest.

- Act as an investment adviser to an investment company that we recommend to our clients.

11. C. **Personal Trading**. : investing in the same or related securities. Does our firm permit itself, its personnel, or a person related to our firm (by ownership or other forms of control) to invest in the same securities that we recommend to our clients, or in securities that are related to those securities, such as options or other derivatives?

Yes, we do allow it.

#### **Participation or Interest in Client Transactions**

GFAS representatives may own an interest in or buy or sell for their accounts the same securities they may recommend to their advisory clients for purchase or sale. GFAS' advisers and other associates ["related persons"] seek to ensure that they do not personally benefit from any short-term market effects of their recommendations to clients. Mr. Salerno monitors their personal transactions regularly. Related persons are aware of the rules regarding material non-public information and insider trading. Related persons may also buy or sell specific securities for their accounts based on personal investment considerations, which the Adviser does not deem appropriate to buy or sell for clients.

In all cases, transactions are effected in the best interests of the client. The Adviser does not permit insider trading and has implemented procedures to ensure that its policy regarding insider trading is being observed by associated persons.

If our personnel buy or sell securities for their own accounts, the securities involved are in mutual fund platforms whose prices are settled at the end of the day. These funds are very large in terms of the number of shares and their capitalization, such that there is no opportunity for front running or other unethical action on our part. We enforce these guidelines by self control.

The possible conflicts of interest that arise whenever we recommend, or, in our discretion, buy or sell for you a security that we may also buy or sell for ourselves are

- using your order's market effect to benefit ourselves ("front running");
- using your order as "inside information" that would give us an unfair advantage in the markets to benefit ourselves or any other person (which is an illegal act);
- gaining a lower brokerage cost for ourselves in bunching orders, which can create an incentive to involve your account in that transaction.

Does any person in our firm participate in or have an interest in our clients' transactions? How does such a person participate or what is the interest and what conflicts of interest can that create? No. No one in the firm has a financial interest in any investment transaction the firm recommends to its clients. Examples of such interests would include an adviser recommending that clients invest in a pooled investment vehicle that the firm advises or for which the investment adviser serves as the general partner, or when an adviser with a material financial interest in a company recommends that a client buy shares of that company.

11. D. **Personal Trading**. : investing in the same or related securities at the same time.

What specific conflicts do we have when our firm or a related person trades in the same securities at or about the *same time* as it places trades for a client's account? No real conflict arises, due to the nature of the securities and the size of the investment accounts involved : these are very large mutual funds whose prices are settled at the end of the day and our own participation will not benefit from our



clients' investments. No internal control is required beyond the review of personal trades that Mr. Salerno performs.

"The SEC generally dislikes 'contemporaneous' trading," that is, that anyone in our firm might enter an order for her or his own account at the same time as an order in the same security for a client. Note that these restrictions are not applied to investments in mutual funds that are unaffiliated with our firm. Unaffiliated means a mutual fund that we have not ourselves created or helped establish and/ or in some way act as the fund's managers.

The SEC has stated that "an adviser's ability to place its own trades before or after client trades in the same security may affect the objectivity of the adviser's recommendations" and therefore states further that the SEC believes *disclosure of this practice* is warranted. The SEC has not in that opinion stated a specific length of time before or after. In that respect it could also be noted conversely that clients might have reservations in employing an adviser who does not invest in the same securities the adviser recommends.

What internal controls do we have to prevent our firm and/ or our staff from buying or selling the same or related securities at the same time as we may be placing orders for our clients' accounts? We perform a review of the trades our associates place for their accounts.

#### Item 12 :Brokerage Practices.

12. A. Does our firm select a broker/ dealer for you? On what basis do we do so? How do we determine the reasonableness of the broker's compensation (commission charges)?

Mr. Salerno recommends UPFSA only in that if an advisory client wishes Mr. Salerno to enact a financial plan and place a recommended trade, Mr. Salerno must do so only through his employing broker dealer, UPFSA, so as not to transgress the prohibition against "selling away."

Other recommendations concern third party managers. Those platforms include in their disclosures which firms will provide the brokerage and custodial services for those investments.

12. A. 1. Research and other "Soft Dollar" benefits : Do we have any conflicts of interest such as receiving "soft dollars" from the broker/ dealer? GFAS and its representatives receive no soft dollars benefits from any broker dealer or other third party. [\[The description must be specific enough for clients to understand the types of products or services the adviser acquires \(and must include proprietary and third-party research\), and to permit clients to evaluate possible conflicts of interest. It must be more detailed for products or services that do not qualify for the safe harbor under Section 28\(e\) of the Securities Exchange Act.\]](#)

#### Required disclosures / explanations:

- a. If an adviser uses client brokerage commissions (or markups or markdowns) to obtain research or other products or services, the adviser receives a benefit in not having to produce or purchase them itself.
- b. Any such benefit creates an incentive to select or recommend the broker-dealer that provides it; an adviser's duty is to select a broker-dealer based on the most favorable execution services for the adviser's clients.

[c.] Do we "pay up" to obtain soft dollar benefits (that is, do we pay more than the lowest available commission rate)? Do we make our clients pay commissions (or markup or markdowns) higher than those charged by other broker-dealers in return for "paying-up"? No, we do not.

[d.] Do we use soft dollar products, research or other items for the benefit of all our clients or only certain clients? Do we allocate benefits proportionately to accounts as those accounts generate the soft dollars by our directing brokerage to a specific broker-dealer? We do not receive soft dollar benefits, such as research, except as is already “baked into” the platforms we may recommend.

[e.] The types of products, services or other benefits our firm or any of its related persons acquired in our firm’s last fiscal year due to directing our clients’ brokerage to \_\_\_\_\_ [bd] are : **[not applicable]**  
[“Merely disclosing that the firm receives various research reports and products is not specific enough”] [“greater detail for soft dollar items that do not qualify for the safe harbor in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution”].

[f.] The procedures our firm used during its last fiscal year to direct our clients’ transactions to a particular broker-dealer in return for soft dollar benefits received **were** : **[not applicable]**

Clients need to understand that “soft dollars” are an enticing benefit for an adviser in so far as they provide access to research and / or other products both of use to the adviser in its business and at no expense to the adviser. Clearly, such an enticement creates an incentive to use the broker-dealer in question and may cause the adviser to use a broker that charges the adviser’s clients higher commission rates than another broker-dealer. An adviser has a duty to seek the best execution of trades for its clients, which includes considerations in addition to the commission rate, however.

Are there additional, material conflicts of interest involved in our use of directed brokerage, due to a relationship with the broker-dealer? GFAS does not actually direct brokerage; we have no material conflicts of interest in this area, noting that Mr. Salerno is a limited partner in UPFSA.

#### 12. A. 2. Brokerage for client referrals

Do we direct brokerage to a specific broker-dealer in return for client referrals either to our firm or to a related firm? **[includes referrals from a BD or other third party.]** No, we do not.

The inherent conflict of interest in this practice stems from an adviser’s fiduciary duty to the client to put the client’s interests first. The referrals create an incentive to use the broker-dealer not for the services a client will receive, but due to the benefit to the advisory firm. Directed brokerage may result in brokerage costs that are higher than a client might obtain from another broker-dealer.

What procedures did we use during our last fiscal year to direct brokerage to \_\_\_\_\_ [name the BD]?  
**[not applicable]**

#### 12. A. 3.

[a] Do we “routinely recommend, request or require” our clients to direct brokerage?  
[describe the practice/ policy]

GFAS may recommend that its financial planning advisory clients use the brokerage services provided by United Planners’ Financial Services of America [“UPFSA”]. GFAS representatives are also registered representatives of UPFSA. GFAS does not have discretion to require that clients use UPFSA, nor does it request that they do so. Clients need to understand that if they desire our representative to effect any transaction for them as a broker dealer agent, then that representative must use UPFSA, according to FINRA rules, unless UPFSA gives them written permission for each transaction to “sell away.”

Clients should know that not all advisers do require directed brokerage.

Is the broker-dealer in question an affiliate of our firm or have some other economic relationship?  
Yes. We inform our clients here that the relationship creates an inherent risk for a conflict of interest.

UPFSA's execution costs may be higher or lower or essentially the same as those clients may obtain through another broker dealer for the same services and investments.

[b] Do we permit a client to direct brokerage to a specific broker-dealer? We do not. Financial planning clients may use any broker dealer they prefer; Mr. Salerno cannot act as the agent to effect transactions in those instances. Clients should understand that their choice of broker-dealer may lead to higher brokerage costs than they might have otherwise obtained, due to higher rates or an inability to aggregate orders and thereby reduce transaction costs.

12. B. When we place orders with a broker/ dealer for our clients, do we aggregate or "bunch" your trade order with orders for other clients? GFAS does not bunch orders. The third party platform managers may do so within their own programs.

Item 13 :Review of Accounts.

13. A. Does someone in our firm review your investment account portfolio and how often?

GFAS' President, Mark Salerno, reviews all advisory accounts on a quarterly basis, triggered by the compilation of the quarterly review report.

13. B. What factors might trigger a review in addition to our periodic reviews?

If a client requests one or notifies GFAS that there has been a change in her or his personal or financial situation, Mark Salerno will provide an additional review, if he deems it necessary or useful.

13. C. What regular reports do we or others provide you? Are they written reports? What do they contain?

The quarterly review includes a portfolio summary, portfolio composition, portfolio performance, account summary, account holdings, account performance, and billing summary.

- The portfolio summary lists current quarter, annual and since inception figures including beginning market value, net contributions and withdrawals, portfolio gain or loss and ending portfolio values.
- The portfolio composition lists the accounts that comprise the portfolio, end of quarter account values, the percentage of portfolio that they make up and the asset allocation of the entire portfolio.
- The portfolio performance includes quarterly, year to date, one year, two year and since inception return statistics.
- The portfolio returns are reported net of fees and returns for periods in excess of one year are annualized.

The account summary, like the portfolio summary lists current quarter, annual and since inception figures including beginning market value, net contribution and withdrawals, portfolio gain or loss and ending account values. The account holdings lists the securities, mutual funds and or the exchange traded funds that comprise the portfolio, the number of shares held , price, cost basis and end of quarter account values.

GFAM and Manning & Napier both can provide a composite report of all asset allocations of the account level holdings when more than one account comprises the portfolio. Account performance, like portfolio performance, provides quarterly, year to date, one year, two year and since inception return statistics. The account returns are reported net of fees and returns for periods in excess of one year are annualized.

The billing summary lists the average daily account values, advisory fee schedule, and the dollar amount of advisory fee fees being charged to each of the accounts.

An independent third party provides clients with monthly custodial reports and quarterly performance reports. The monthly custodial reports include a listing of all investments in a client's account, the account's current valuation, and a listing of all transactions occurring during the month. The quarterly performance reports include information concerning the allocation of the assets in the client account among various asset classes, and the investment performance of the client account during the quarter.

We urge our clients to compare carefully that account statement with any other statement you may receive from the account's qualified custodian.

Item 14 : Client Referrals and Other Compensation.

A. Does someone other than a client of our firm pay our firm or related persons, or otherwise provide some economic benefit to our firm, for the investment advice we provide to our clients? [\[12b-1 fees; other; sales awards or prizes\]](#)

Yes. As we have disclosed above in item 10.A. [**"Participation or Interest in Client Transactions"**] **GFAS representatives**, in their capacity as registered representatives of the broker dealer, UPFSA, may receive payments from certain mutual funds distributed pursuant to a 12b-1 distribution plan or other such plans as compensation for administrative services, representing a separate financial interest. This scenario applies to financial planning clients only; the third party manager portfolio platforms do not pay any 12(b)-1 fees, etc. to GFAS or its associates. The payment creates an inherent risk for a conflict of interest with respect to recommendations to buy or sell securities. In all cases, transactions are effected in the best interests of the client. The Adviser does not permit insider trading.

We address the potential for a conflict of interest for an advisory representative in this situation by disclosing it to our clients.

B. Does our firm or a firm related to us through some form of ownership pay someone, directly or indirectly, for client referrals? NO. GFAS does not pay for referrals.

Item 15: Custody.

Does our firm have custody of your assets? GFAS clients who invest in the Genesis Asset Management Program will pay their advisory fees through "direct billing." The practice of "direct billing" has been defined by the SEC as a form of custody, but also as a "modern practice" that does not require annual audits. Direct billing also requires that the client receive at least quarterly statements from the account custodian, showing the advisory fee. It is the third party platform manager that will deduct the advisory fee and then pay GFAS a portion of that fee, so, indirectly, GFAS participates in direct billing. Otherwise, GFAS has no custody of clients' account holdings, cash or securities.

Who is/ are the qualified custodian(s) of your assets' account? Our managed accounts are Genworth or Manning & Napier accounts. Those firms use Exeter Trust Company and Genworth Trust Company, Pershing or TD Ameritrade, respectively, for custodial services..

The custodian will send to you at least quarterly account statements, monthly statements when there are transactions to report. NOTE : These statements should be reviewed carefully. It is not the custodian's responsibility to ascertain the accuracy of the calculation for fees subtracted from your account.

Item 16 : Investment or Brokerage Discretion

A. Does our firm have discretionary authority over your assets? GFAS does exercise discretion in the Genworth platforms ("GFAM") in that GFAM platforms allow the adviser to accept or reject a Genworth-planned rebalancing of a portfolio. GFAS always accepts the recommended rebalancing. The third party investment managers will retain discretion regarding the allocation of investments with their programs.

B. What limitations are there, or can you place, on our discretionary authority? Suitability parameters, as the client and the adviser establish in the initial interview, are the over-riding limitation on any discretion. Any advisory firm gains discretionary authority over a client's account only if and when that client signs a limited power of attorney stating that allowance specifically. A client may revoke that permission at any time. Mr. Salerno does not have discretion to rebalance or shift managers of any Genworth platform on his own; clients must authorize those changes.

Item 17. : Voting Client Securities..— proxy voting practices

A. Does our firm have or will it accept authority to vote client securities? GFAS does not accept authorization to vote any client's proxies.

B. This is our policy and our procedures : that we do not vote proxies. We state this in our agreement and here in these disclosures. Our firm urges our clients to read and participate in the voting process tied to the shares they own in various companies as an excellent means for our clients to become familiar with those companies in which they are invested.

Item 18 :Financial Information.

A. Custody situations : Does our firm have custody of your funds or your securities investments? No.

- Do we require prepayment of a fee of \$500 (\$1200 for an SEC registrant) or more, 6 or more months in advance of services? We do not.
- Do we practice "Direct Billing" (charging our fees to your account)? [See item 15, "Custody Situations" above] Indirectly GFAS obtains payment by means of "direct billing."
- Do we or someone in our firm act as the trustee for an advisory client? No, we do not. UPFSA prohibits its registered representatives from being trustees for any client.

18. B. Financial difficulties : If our firm has discretionary authority over your assets [see Item 16] or custody of our clients' securities or funds, or require or solicit prepayment of fees of \$1,200 or more (for SEC registrants, but only \$500 or more for state registrants), six or more months in advance, then we must disclose if there is any financial condition reasonable likely to impair our firm's ability to meet its contractual commitments to its clients.

Does our firm have any financial condition that could reasonably seem likely to impair our ability to meet our contractual commitments to you, our client? This question is important, especially if an investment adviser has discretion, custody or both; if our financial condition were precarious, our clients would be exposed to increased risks that we might not manage their assets properly, according to the SEC. Prepaid fees might not be refunded if an advisory firm were to cease being able to do business due to insolvency.

No, it does not. GFAS has no financial difficulties as of the time of this ADV Part 2A; the firm undertakes

to inform clients if it were to have any threatening financial difficulties.

18. C. Has our firm been the subject of a bankruptcy petition during the last 10 years? No, it has not.

Item 19 :State Registrant Information. [*does not apply currently to GFAS : 2011 02*]

**Part 2B: The Brochure Supplement** : Here we provide information about advisory personnel on whom you rely for investment advice. We must provide this supervised person's supplement to you, our client initially at or before the time when *that* specific supervised person begins to provide you with advisory services.

### **Item 1. Cover Page.**

This brochure supplement provides information about Mark Salerno that supplements the Genesis Financial Advisory Services brochure. You should have received a copy of that brochure. Please contact Mark Salerno [marksalerno@gfasllc.com] if you did not receive Genesis Financial Advisory Services' brochure or if you have any questions about the contents of this supplement. Additional information about Mr. Salerno is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Mark Salerno**

Certified Financial Planner <sup>TM</sup>

Born 1961

CRD # 1561786

### **Item 2. : Education and Business Background**

#### Education

Bachelor's Degree in Business Management in 1983 from Syracuse University

#### Employment history, last 5 years

President/ Managing Member, Chief Compliance Officer, and Investment Advisor Representative – Genesis Financial Advisory Services, LLC, May 2000 to present.

Registered Principal & Limited Partner- United Planners' Financial Services of America from 2008-Present

Registered Representative - United Planners' Financial Services of America from December 2000 to 2008.

Insurance Broker - various insurance companies November 1988 to present.

Mortgage Solicitor – Premium Capital Funding May 2003 – March 2008.

The **CERTIFIED FINANCIAL PLANNER<sup>TM</sup>**, **CFP<sup>®</sup>** and federally registered CFP (with flame design) marks (collectively, the "CFP<sup>®</sup> marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board"). The CFP<sup>®</sup> certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP<sup>®</sup> certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP<sup>®</sup> certification in the United States.

To attain the right to use the CFP<sup>®</sup> marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP<sup>®</sup> Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP<sup>®</sup> professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

**Item 3. Disciplinary Information.** Item 3 requires disclosure of any legal or disciplinary event that is material to a client's evaluation of the supervised person's integrity. The Commission presumes certain disciplinary events are material to such an evaluation if they occurred during the last ten years.

The Investment Adviser Public Disclosure site states, regarding Mr. Salerno:

"Is this Investment Adviser Representative currently suspended with any jurisdiction? **No**"

"Are there events disclosed about this Investment Adviser Representative? **No**"

"Are there events disclosed about this broker? **No**"

If the *supervised person* has been *involved* in one of the events noted below, the advisory firm must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in the *supervised person's* favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material (see Note below). For purposes of calculating this ten-year period, the "date" of an event is the date the final *order*, judgment, or decree was entered, or the date any rights of appeal from preliminary *orders*, judgments or decrees lapsed.

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

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

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

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

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

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

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

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

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

(b) barring or suspending the *supervised person's* association with an *investment-related* business;

(c) otherwise significantly limiting the *supervised person's investment-related* activities; or

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

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

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

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

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



Note: You may, under certain circumstances, rebut the presumption that a disciplinary event is material. If an event is immaterial, you are not required to disclose it. When you review a legal or disciplinary event involving the supervised person to determine whether it is appropriate to rebut the presumption of materiality, you should consider all of the following factors: (1) the proximity of the supervised person to the advisory function; (2) the nature of the infraction that led to the disciplinary event; (3) the severity of the disciplinary sanction; and (4) the time elapsed since the date of the disciplinary event. If you conclude that the materiality presumption has been overcome, you must prepare and maintain a file memorandum of your determination in your records. See SEC rule 204-2(a)(14)(iii) and similar state rules.

Disclosure of any event for which the supervised person had ever resigned or otherwise relinquished a professional attainment, designation or license in anticipation of it being suspended or revoked (other than for suspensions or revocations for failure to pay membership dues).

To clarify, this disclosure need only be made if the adviser knew or should have known that the supervised person relinquished his or her designation or license.

Permitting advisers to hyperlink to these systems [to disciplinary information available through the FINRA BrokerCheck system as well as the IAPD system] may minimize the costs of brochure supplements by leveraging existing infrastructure established by broker-dealer and adviser regulation. To take advantage of this provision, the brochure supplement must be delivered electronically and must include: (i) a statement that the supervised person has a disciplinary history, the details of which can be found on BrokerCheck or the IAPD (as the case may be); and (ii) a hyperlink to the relevant system with a brief explanation of how the client can access the disciplinary history.

**Item 4. Other Business Activities.** Item 4 requires an adviser to describe other business activities of its supervised persons. The item specifically requires disclosure with respect to other capacities in which the supervised person participates in any investment-related business. Disclose any material conflicts of interest such participation may create. In addition, the item requires the supplement to include information about any compensation, including bonuses and non-cash compensation, the supervised person receives based on the sales of securities or other investment products, as well as an explanation of the incentives this type of compensation creates.

As noted above in Part 2A, Mr. Salerno is also the registered representative of UPFSA, a broker dealer, and a licensed insurance agent. Whenever Mr. Salerno recommends either of those services to an advisory client, and he himself will be the paid provider of that recommended service, such a situation inherently creates a potential conflict of interest. As a fiduciary, Mr. Salerno must recommend only those services and products that are in a client's own best interest, free of any influence of possible gain for himself. The firm addresses this possible conflict of interest by disclosing it to the firm's clients.

The SEC requires disclosure of *other* business activities or occupations that the supervised person engages in if they involve a substantial amount of time or pay. Clients may have different expectations of an individual whose sole business is providing investment advice than of an individual who is engaged in other substantial business activities.

**Item 5. Additional Compensation.** This item requires that the supplement describe arrangements in which someone other than a client gives the supervised person an economic benefit (such as a sales award or other prize) for providing advisory services.

As described in Part 2A, Mr. Salerno may receive 12(b)-1 fees from the administrative fees a client pays to a mutual fund. If he recommends the purchase of mutual funds to his advisory clients, that recommendation creates a risk for a conflict of interest, due to the 12(b)-1 fees that he may realize.

**Item 6. Supervision.** This item requires an adviser to explain how the firm monitors the advice provided by the supervised person addressed in the brochure supplement. It also requires a firm to provide the client with the name, title, and telephone number of the person responsible for supervising the advisory activities of the supervised person.

Mr. Salerno is his own supervisor. He maintains on file in the firm's offices reports of his proprietary trading activities and the formulation of his recommendations for the regulator to review at will.

**Item 7. State Registration requirements :**

Mr. Salerno maintains his registration as an advisory representative of his firm.

### **Deliver a brochure to clients**

An advisory firm must give a firm *brochure* to each *client* before or at the time it enters into an advisory agreement with that *client*. See SEC rule 204-3(b) and similar state rules.

Each year the IA firm must (i) deliver, within 120 days of the end of its fiscal year, to each *client* a free updated *brochure* that either includes a summary of material changes or is accompanied by a summary of material changes, or (ii) deliver to each *client* a summary of material changes that includes an offer to provide a copy of the updated *brochure* and information on how a *client* may obtain the *brochure*. See SEC rule 204-3(b) and similar state rules.

The IA firm does not have to deliver an interim amendment to *clients* unless the amendment includes information in response to Item 9 of Part 2A (disciplinary information). An interim amendment can be in the form of a document describing the material facts relating to the amended disciplinary event. See SEC rule 204-3(b) and similar state rules.

**Note:** As a fiduciary, an advisory firm has an ongoing obligation to inform its *clients* of any material information that could affect the advisory relationship. As a result, between *annual updating amendments* the firm must disclose material changes to such information to *clients* even if those changes do not trigger delivery of an interim amendment. See General Instructions for Part 2 of Form ADV, Instruction 3.

Question: May an advisor deliver its *brochure* electronically? Yes. The SEC has published interpretive guidance on delivering documents electronically, which advisors can find at <[www.sec.gov/rules/concept/33-7288.txt](http://www.sec.gov/rules/concept/33-7288.txt)>.