

Just What Do We Do?

Financial Planning, Asset Allocation and Money Management are over-used marketing phrases, but they describe necessary processes that are available in today's complex financial world. These processes assist clients in achieving their goals, and in producing desired investment results.

How do we distinguish our services from the services that others may offer?

I. Background and Assessment

We get to know you, your family situation (immediate and extended), your children's situation and any special needs. We try to understand your background, your current status, and openly discuss the changes ahead. In our first two meetings, we discuss your issues and whether we provide appropriate services. Our backgrounds are in the areas of asset and tax management, estate planning and wealth transmission. We approach the relationship from our experience as problem solvers, counselors, and advisors.

II. Goals

We initially try to establish some goals. The more these are quantified, the better. These could be in the areas of planning for a new residence, education, cash flow and tax management, planning for retirement and estate planning. Timelines are important and are discussed.

We then focus on details. To obtain your current situation, we try to develop a detailed cash flow model and a detailed tax projection. We review your current needs and spending patterns, and use these to develop models. The models assist us in working with you to develop the correct asset allocation for you, in light of your other assets, your time horizon, and your risk tolerance.

III. Model Development

We develop a three-year model using complex software which projects taxes, and allows us to develop a fairly detailed cash flow projection. Numerous assumptions are made, with your input. This phase also allows us to project the sufficiency of assets for your retirement and estate planning needs. This also

assists in developing investment parameters for taxable or tax-free income. With your input, we also perform estate planning calculations based upon various years of death, and the applicable tax rates.

After the first model is developed, we then move to a more extended modeling program. This program performs a detailed year-by-year analysis, extending until your death. This allows you to see how the major events in your life will be unfolding: education funding, retirement, mortgage payoff, possible inheritances, second home purchase and asset growth, based upon various rates of return.

IV. Planning Alternatives

With your input, we then develop several planning alternatives. These can include procedural alternatives such as trusts (minors' trusts, charitable remainder and lead trusts, revocable living trusts, irrevocable life insurance trusts, generation skipping trusts, credit shelter trusts and dynasty trusts), gifts, refinancing alternatives, family partnerships, and the suggestion of other agreements which focus on tax issues and financial planning issues.

V. Investment Management

We also develop investment alternatives, working with you. Strategies are developed for management of your investment cash, bonds, stocks, and real estate. These follow the completion of a risk tolerance questionnaire process, and the development of several proposed asset allocations.

Then detailed suggestions are made. Depending upon the size of the assets available for management, your risk tolerance, and comfort with certain strategies, we suggest appropriate investment ideas. The suggestions can include other managers (style specific or through mutual funds) or specific stocks.

For many of our clients, we also serve as the money manager, especially during the first year. This allows for better tracking of income and the projection of taxes, plus time to interview other money managers, if desired.

As custodian of your funds, we use our institutional relationship with Charles Schwab & Co., Inc. as the preferred brokerage/custodian. We selected

Schwab due to low fees, access to offices around the country, and secure daily viewing of accounts by our clients. We have the ability to make transactions with other firms, but prefer to retain eventual custody at one firm. Each client maintains a direct relationship, and we serve only as the advisor, with authority only to make trades.

Our fees are billed quarterly to the account, to allow for better performance tracking (net after fees), after you receive a copy of the invoice five days in advance of the debit process.

Our investment process focuses on your situation, your goals, and appropriate assets for your unique situation. For your cash, we focus on earning a decent after-tax return. We analyze the immediate needs, the current rates available from numerous money-market accounts, and assist you in finding appropriate short-term investments. For clients who have recently sold their business or a major asset, taxes are due in April of the year following the sale. Thus, secure investments are made to match that known liability. If quarterly "safe harbor" tax payments need to be made (based upon a percentage of the prior year's tax paid), appropriate investments can also be made to match quarterly tax payment dates.

As for investing for longer-term, an initial assessment of the need for income is made. While one approach would be to invest in assets that generate sufficient income to cover this need, an alternative strategy of "cannibalization" is examined for a specific amount of principal, allowing other assets to be immediately invested for long-term growth. With interest rates relatively low, this strategy has been successful for the past five years. An assessment is made for the need for growth, along with a target growth rate. This then governs the appropriate asset allocation for the investments, and assists in the selection of specific investments. Then, after a review with you of various asset allocation models and reasons for each, we jointly decide on one, and then begin to make specific investment recommendations.

These can include appropriate stocks, bonds, and real estate. These can also include mutual funds, especially in areas which provide diversification and professional management at a reasonable cost. Examples would be in the areas of sector funds or global funds, where it is difficult to follow an area in the amount of depth required.

We provide a reality check against the risks of inflation, deflation (lower rates and defaults), global investments, the strength of the dollar vs. other currencies, mutual fund forced sales if major redemptions occur, self control, tax law change, and other risks in the marketplace.

VI. Risk Management

In the risk management area, we review your insurance coverages. With a sale of business, a retirement, or an estate, numerous changes occur. Our bias is toward term insurance, competitively shopped, with quality companies that will be in business for a long time. Term coverage is now available for 15 and 20-year periods at very affordable rates. We do shop no-load variable life insurance products, which have attractive tax deferred features and flexible investment options. We also endorse tax-deferred and variable annuities where the assurances provided and the tax-deferred compounding still make sense for the investment funds of certain clients. We focus on low-cost administrative services and a wide array of investment alternatives, with excellent track records.

Under risk management, we are often asked to examine long-term care coverage (for clients and their parents), health insurance coverage, asset protection ideas, family partnerships, charitable remainder trusts, and pension assets in order to secure the assets from claims of creditors.

VII. Tax Management

In the area of tax management, we examine your current year income projections in light of the increased income from interest and from dividends. We analyze the capital gains to be recognized, and determine if the alternative minimum tax is applicable.

An analysis of your home mortgage on your primary and secondary residence is completed. The possibility of sale of your primary residence under the \$500,000 capital gain exclusion is often reviewed. Your pension and profit-sharing alternatives are analyzed, especially in a consulting setting. Any new business is analyzed for the deductibility of expenses.

For executives with stock options, we review the numerous tax planning issues to maximize the after-tax value of this employee benefit.

VIII. Administrative Systems

From an administrative standpoint, we assist you by providing a tracking system for your income, portfolio performance and taxable gains and losses. If you elect to invest in mutual funds, there are four different methods for tracking gains and losses. This saves future accounting expenses. We can assist you in developing a secure viewing system to view your various account balances if held at Charles Schwab & Co. Inc. If you choose to maintain custody with your current broker, we can direct trades to his or her firm, and negotiate institutional rates. We assist you in establishing custodian relationships and accounts with low fees, easy access, and safety. We develop a reporting schedule to provide you an overall asset allocation, a gain and loss report, an income report, and an expense report for all of your accounts.

IX. Estate and Gift Tax Analysis

From a gift and estate tax planning standpoint, we often assist in motivating the senior generation to make gifts, implement various planning strategies, and improve the dialog for preserving the assets for the benefit and support of future generations. These strategies include an examination of family limited partnerships, gifts, generation skipping trusts, charitable remainder trusts, irrevocable life insurance trusts, charitable lead trusts, grantor retained annuities trusts, qualified minors trusts, self canceling installment notes, and other complex planning strategies. With estate taxes in the 50% marginal tax band, these procedural tools can result in substantial future estate tax savings, if started soon enough.

X. Summary

Our basic philosophies could be characterized by the following touchstones:

- Asset allocation is key, looking forward, but with the experience of the past.
- Be somewhat contrarian, and don't always follow the herd.
- Listen to others, but be independent.
- You have to be in the game to score.
- Buy quality.
- Buy low price to earnings stocks, if possible.
- Buy dominant/profitable companies with barriers to entry.
- Buy high demand items, with repeat business.
- Listen to clients, technologists, kids, spouses.
- Be a skeptic on overly successful stories.
- Do not lose money for clients.
- Care and communicate.
- Teach clients all they desire to learn.
- Be available; be totally honest.

ANTHONY SMITH ADVISORS, INC.

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Background, Experience and Education of Anthony C. Smith, CFP®

Carter, Ansley, Smith and McLendon, Attorneys-at-Law; December 1975 to July 1984

Partner with the firm, responsible for estate planning, general corporate matters, pension and profit sharing.

Kidder Peabody; Regional Director, Financial Advisory Services; July 1984 to December 1987

Responsible for all financial planning activities for the firm from Southeast region; worked with key clients to provide financial and estate planning and investment management services arising out of major financial events.

President, Anthony Smith Advisors, Inc.; January 1988 to December 1991

Service as financial advisor to senior executives of major public and private companies; provided financial planning, tax, estate planning, and investment advice, working with other key advisors. Employed seven persons. Closed firm when one client (Radiation Care, Inc.) needed assistance in going public and managing change.

Vice President Acquisitions/Board Member of Radiation Care, Inc.; January 1992 to April 1994

Assisted company in going public, raising \$50,000,000 (self underwritten); responsible for acquisitions and governmental relations in ten states; created 401(k) plan; assistance in early stages of public company growth.

President, Anthony Smith Advisors, Inc.; May 1994 to Present

Re-incorporated financial advisory business and registered as Investment Advisor.

Education

University of Georgia, BBA (1971) and JD (1975)

Georgia State University, Masters of Taxation (1982)

Other Examinations Completed: Certified Financial Planner; Registry of Financial Planners; Series Seven and Sixty-three (Brokerage)

Memberships

International Association for Financial Planning - (Former President of Georgia Chapter, and five year board member)

Atlanta, Georgia, and American Bar Associations; Member of Corporate, Tax, and Real
Property & Probate Sections
St. Thomas More School Board, 1989-1992

Author/Speaker

Numerous tax, estate planning, retirement planning and investment articles and speeches.

JULIA A. DAVIS, CPA, CFP®

Julie is a native of Darlington, Pennsylvania and an honors graduate of Georgia State University where she received a B.B.A. degree in Accounting. She earned a Master of Personal Financial Planning degree in the Risk Management Department at Georgia State University. She has completed the Certified Public Accountant exam and the Certified Financial Planner exam.

Julie joined Anthony Smith Advisors in June, 2001, and provides comprehensive, coordinated financial planning in all areas, specializing in tax and retirement planning.

She also provides accounting and tax preparation services for clients and small businesses. Previously, she assisted with small business retirement plan selection, implementation, and monitoring performance of fund options.

Julie is married, has four children, and is a member of the Financial Planning Association.

SCOTT T. SMITH, CFP®

Scott is a native of Tappan, New York and an honors graduate at Manhattan College, where he received a B.S. degree in Mathematics. He earned a Masters of Business Administration (MBA) and a Masters of Personal Financial Planning at Georgia State University. Scott is a Certified Financial Planner exam.

Scott worked for 12 years at AT&T, where he managed multi-million dollar capital and expense budgets. He also provided financial counseling on 401(k) and pension issues to active and retired employees in the telecommunications and IT industry.

Scott joined Anthony Smith Advisors in May, 2001. Scott provides comprehensive financial planning, specializing in retirement planning, investment advice, and estate planning.

Scott is married and has three children. He is a member of the Financial Planning Association.

THOMAS E. LEVERT, CFP®

Tom is a native of Atlanta, Georgia, and a graduate of Georgia State University where he received a BBA and MBA in Finance and a post-graduate certificate in Personal Financial Planning. He has completed the Series 65 and is a Certified Financial Planner.

Tom joined Anthony Smith Advisors in June, 2006 after a 29 year career with BellSouth Corporation. He provides financial planning, retirement planning, cash management planning/budgeting, and investment management advice.

While at BellSouth, Tom primarily worked in the Treasury Department of BellSouth HQ and the finance group of Small Business Services. He is married with two children. Hobbies/interests include history, backpacking and church work. Tom is currently serving on the Board of the Len Foote Hike Inn (a non-profit environmentally friendly back-country inn in North Georgia) as Treasurer and working on section-hiking the 2,175 Appalachian Trail from Georgia to Maine.

KAREN A. SUTTON, CPA, CFP®

Karen is an honors graduate of the University of Florida where she received a B.S. in Accounting. She has also earned a post-graduate certificate in Personal Financial Planning from Georgia State University. Karen is a Certified Public Accountant (CPA) and is a Certified Financial Planner.

Karen began her career in public accounting with KPMG in the audit department. She then joined Scientific-Atlanta where for four years she worked in various management positions in the accounting, financial analysis, and planning/budgeting arenas. Karen moved to VeriFone as the Assistant Controller for the U.S. Sales Division and progressed to the position of Controller of the Oil & Gas Division. Karen decided to pursue her entrepreneurial side and opened a Bruster's Ice Cream store in 2000. She sold her store in 2007.

Karen joined Anthony Smith Advisors in September, 2007. She provides financial planning, retirement planning, cash management planning/budgeting, and investment management advice.

Karen is married with two daughters. Her outside interests include running, reading, and volunteer work. Karen currently serves as Treasurer of the Schoen Charitable Foundation and Treasurer of her church's women's group.

ADVISORY AGREEMENT

ANTHONY SMITH ADVISORS, INC. ("Advisor") is hereby retained by _____ to provide financial and investment advisory services as follows:

1. **SERVICES OF ADVISOR.** Advisor shall provide the following services to you:

____ (A) **FINANCIAL ADVISORY SERVICES.** Advisor will provide consulting services to you which shall include:

1. Formulating goals, objectives and strategies to achieve your financial, investment, tax, risk management, and estate planning objectives.
2. Preparing and updating your net worth statement.
3. Preparing cash flow, investment and income tax projections.
4. Preparing risk management and estate analyses with appropriate recommendations and alternatives.
5. Advising you on business, financial, and economic matters where we are qualified to do so.
6. Reviewing, analyzing, researching and advising you on investment proposals initiated by you or submitted to you by others.
7. Consulting with your other advisors - such as attorneys, accountants, stock brokers, insurance or real estate agents, or bankers.
8. Preparing for and meeting with you personally for consulting purposes and/or accompanying you to meet with your other advisors, partners, or family members.

____ (B) **INVESTMENT ADVISORY SERVICES.** Advisor shall provide the following services to you which shall include:

1. **Services and Establishment of Account.** You hereby retain the Advisor and the Advisor hereby agrees to provide investment advisory service for such cash, U.S. Treasury bills, bonds, notes, municipal bonds, certificates of deposit, stocks, and mutual fund units or shares as may be designated by you and agreed upon by the Advisor. Such designated investments and mutual fund units shall hereafter be referred to as the "Portfolio."

2. Authority and Responsibility. The Advisor shall supervise and direct investments in the securities described above **(with) / (without)** prior consultation with you, and you hereby appoint the Advisor as Attorney-in-Fact with respect to the Portfolio with full and exclusive power to buy or sell such investments as Advisor may select. Advisor will inform you of all purchases, sales or other transactions made for the account. In addition, the Advisor will prepare and deliver to you quarterly reports summarizing your Portfolio. **Advisor shall register all investments in your name and shall have no authority to remove cash or any assets from the Portfolio.**
3. Status of Account. You hereby agree to instruct the mutual fund investment companies and custodians to transmit to the Advisor copies of all confirmations, statements or other notices relating to the Portfolio. It is understood that Advisor is not liable for the accuracy of information supplied to it.
4. Advisor's Exercise of Judgment and Limit of Liability. Advisor and its officers and directors and employees shall not be liable for any action performed or omitted to be performed or for any errors in judgment in managing the Portfolio while acting in good faith. However, nothing herein shall in any way constitute a waiver or a limitation of any rights which you may have under any federal securities laws.
5. Brokerage Commissions/Fees/Possible Conflicts of Interest. It is understood that no-load mutual fund trades will usually be directed to Charles Schwab, Inc. and that Advisor does not receive any compensation directly from Charles Schwab. Any management fees due Advisor will be invoiced to you, or with your permission, invoiced to your brokerage account under a separate agreement between you, Advisor, and the brokerage firm.
6. Scope of Advisor's Discretion. It is understood that Advisor may for various reasons make different recommendations to, or direct different investment action for, other clients or make recommendations to different clients at different times. It is further understood that the Advisor, its principals or employees, may purchase or sell units of mutual funds which may be recommended to you.

2. FEES

____ **Annual Basis.** The above services are based on a good faith estimate of _____ to _____ hours per year of professional and staff time for planning and coordination. The planning fee shall be \$ _____ for the first year, payable in a \$ _____ retainer to begin the first quarter and \$ _____ per quarter thereafter.

or

____ **Hourly Fee Basis for Specific Issue.** Specific Issue Financial and Estate Planning is available and will be provided on an hourly basis. A retainer of one-half is payable at the beginning of a project.

and/or

____ **Money Management Fee – Schwab Accounts.** The fee will be based on the market value of the assets in the Account as of the last day of each calendar quarter. The fee rate will be equal to one fourth of the annual rates shown in the attached MANAGEMENT FEE SCHEDULE.

____ **Money Management Fee. Non –Schwab Accounts.** The fee will be $\frac{3}{4}$ of 1% of the market value of the assets in the Account as of the last day of each calendar quarter. These accounts are comprised of _____ and your Schwab account will be debited for these fees.

____ **Monitoring Agreement. Non-Schwab Accounts.** (No trades made by Advisor and client will be responsible for implementation of changes/trades) Advisor will view account and give recommendations on investment strategies and trades. The fee will be $\frac{1}{2}$ of 1% of the market value of the assets in the Account as of the last day of each calendar quarter. These accounts are comprised of _____ and your Schwab account will be debited for these fees.

For all Money Management and Monitoring Services, if Advisor shall serve for less than the whole quarterly period, its compensation shall be payable on a pro rata basis for the period of the calendar quarter for which it served as manager under the Agreement. Any fee not earned will be promptly refunded to the Client.

An Account Accessibility Form will be required in order to monitor or manage accounts not held in custody at Charles Schwab & Co.

3. CONFIDENTIALITY

All information and advice furnished by either party to the other, including their agents and employees, shall be treated as confidential and not disclosed to third parties except as agreed upon in writing or required by law. Advisor is given absolute authority to disclose, provide copies of, and communicate information obtained from you or developed by Advisor to

Attorney: _____
Accountant: _____
Broker(s): _____
Money Manager(s): _____
Bank: _____
Other: _____

4. BASIS OF ADVICE

You acknowledge that Advisor obtains information from a wide variety of publicly available sources and that Advisor has no sources, and does not claim to have sources, of inside or private information. The recommendations developed by Advisor are based upon the professional judgment of Advisor and its individual professional counselors, and neither Advisor nor its individual counselors can guarantee the results of any of their recommendations. Client at all times may elect unilaterally to follow or ignore completely or in part any information, recommendation or counsel given by the Advisor under this Agreement.

5. RESPONSIBILITIES OF THE CLIENT

You agree to provide information regarding your income, investments, income tax situation, estate plan, and other pertinent matters as requested by advisor from time to time. You also agree to discuss needs and goals and projected future needs candidly with Advisor and to keep Advisor informed of changes in your situation, needs and goals. You acknowledge that Advisor cannot adequately perform its services on your behalf unless you perform such responsibilities on your part and that Advisor's analysis and recommendations are based on the information provided by you. You agree to permit Advisor to consult with and obtain information about you from your accountant, attorney and other advisors. Advisor shall not be required to verify any information obtained from you, your attorney, accountant or other advisors and is expressly authorized to rely thereon. You are free at all times to accept or reject any recommendation from Advisor, and you acknowledge that you have the sole authority with regard to the implementation, acceptance, or rejection of any counseling or advice from Advisor.

_____ To assist in monitoring your investment performance and expenses, you authorize and direct Advisor to receive duplicate reports, statements and confirmations of accounts holding assets which are subject to this Agreement.

6. IMPLEMENTATION

You are free to obtain legal, accounting, and brokerage services from any professional source to implement the recommendations of Advisor. You will retain absolute discretion over all investment and implementation decisions. Advisor shall cooperate with any attorney, accountant, or broker chosen by you with regard to implementation of any recommendations.

7. (A) POSSIBLE CONFLICTS OF INTEREST: MONEY MANAGER RELATIONSHIPS

Anthony Smith referred prior clients to certain Southeastern based money managers and monitored their performance over the past eight years. For new clients, Anthony Smith intends to propose a fee sharing arrangement with up to four different money managers, each with a differing investment style, to cover various asset allocation. Any fee sharing will be clearly disclosed to clients, but will allow Anthony Smith Advisors, Inc. to provide a continuity of planning and money management services with local individual money managers.

(B) POSSIBLE CONFLICTS OF INTEREST: ATTORNEY

Anthony C. Smith is a member of the State Bar of Georgia and the American Bar Association. In his capacity as an attorney, he is governed by certain Canons of Ethics. He is not practicing law in his capacity as an Investment Advisor, and will be working with your attorney of choice to implement planning recommendations.

8. TERMINATION

You shall have the right of termination of this Agreement and full refund of any fee paid for five (5) business days after the signing of this Agreement. You shall give Advisor written notice of termination.

After any portion of the fee is paid, either party may terminate this Agreement upon thirty (30) days written notice to the other by certified or registered mail. In the event of termination by either party under this provision, a full refund of all unearned fees will be made by advisor based upon the hourly rate of \$175 per hour.

9. REQUIRED DISCLOSURES

Advisor is an investment advisor registered with the Securities and Exchange Commission. Advisor will provide a copy of its latest Form ADV Part II ("Application for Registration as an Investment Advisor") upon request. Advisor has delivered information providing disclosures regarding the Advisor's background and business practices. You acknowledge receipt of a brochure providing this information.

10. MISCELLANEOUS

(A) This agreement shall be applicable only to financial advice contained in the financial analysis or investment recommendation individually prepared for you and shall not relate to any advice given by any person or persons not specifically designated by Advisor in writing to perform such services.

(B) Neither party hereto may assign, convey, or otherwise transfer any of its rights, obligations, or interests herein without the prior express written consent of the other party.

(C) This Agreement represents the complete agreement of the parties with regard to the subject matter and supersedes any prior understanding or agreements, oral or written.

(D) This Agreement may be amended or revised only by an instrument in writing signed by you and by an officer of advisor.

(E) The validity of this Agreement and of any of its terms or provisions, as well as the rights and duties of the parties hereunder, shall be governed by the laws of the State of Georgia.

IT IS SO AGREED this _____ day of _____, 2010.

ANTHONY SMITH ADVISORS, INC.

By: _____
Anthony C. Smith, President

ACCEPTED AND AGREED:

By: _____ / _____ By: _____ / _____
Client Name Printed Date Client Signature Date

By: _____ / _____ By: _____ / _____
Client Name Printed Date Client Signature Date

MANAGEMENT FEE SCHEDULE

For managed assets under \$750,000, fees are fixed at \$1,875/quarter. For managed assets over \$750,000, fees are calculated as a percentage of assets under management and are payable quarterly in advance. Calculation is based on quarter-end market values.

<u>Assets Under Management</u>	<u>Annual Rate</u>
Under \$750,000	Flat fee of \$1,875/quarter
\$750,000 - \$1.5 million	1.00%
\$1.5 million - \$3 million	0.75%
Over \$3 million	0.50%

Minimum for Financial Planning fee: \$500,000