

Horizon Financial Group, Inc.

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February 1, 2011

This Brochure provides information about the qualifications and business practices of Horizon Financial Group, Inc. If you have any questions about the contents of this Brochure, please contact us at 908-470-1040 or bob@horizonfinancialgrp.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Additional information about Horizon Financial Group, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated, February 1, 2011, is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

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

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

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

Currently, our Brochure may be requested by contacting Robert V. Iandoli at 908-470-1040 or bob@horizonfinancialgrp.com. Our Brochure is also available on our web site horizonfinancialrp.com, also free of charge.

Additional information about Horizon Financial Group, Inc. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Horizon Financial Group, Inc. who are registered, or are required to be registered, as investment adviser representatives of Horizon Financial Group, Inc.

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#### Item 4 – Advisory Business

Horizon Financial Group, Inc. was established in 2001 and is currently registered in the states of New York and New Jersey. The principal owner of the firm is Robert V. Iandoli (100%). As of 12/31/2010 Horizon Financial Group, Inc. and its owner, Robert V. Iandoli, have 75,000,000. of assets under management.

Horizon Financial Group, Inc. and its Investment Advisory Representative, Robert V. Iandoli provides several types of investment services:

1) Investment Advisory services provided by other investment advisory firms for clients which have been approved by Lincoln Financial Securities Corporation (the broker-dealer) fees are deducted from client investments by outside Investment Advisory firms and sent to Lincoln Financial Securities Corporation who then pays the Advisory Representative, Robert V. Iandoli.

2) Transactional services where the Advisory Representative, Robert V. Iandoli is paid commissions through the broker-dealer Lincoln Financial Securities Corporation for various investments recommended to and purchased by investment clients. (If advisory fees (#1) are being charged to a client for a specific investment, there will be no commissions payable on that portion of a client's assets and if commissions are charged there will be no management fees collected on those specific assets.

3) When life and health insurance planning or sales are initiated with clients, commissions will be paid by various insurance companies.



## Item 5 – Fees and Compensation

Fee based planning encompasses financial, retirement, insurance and estate planning (i.e. basic to prepare for meeting with a tax attorney).

Hour fees range from 0-\$500/Hr. Those fees are determined by the advisor and discussed with the client at the first meeting in the office for which there is no charge.

The actual fees for planning are based on the number of hours necessary to complete the proposed plan.

They are predetermined at the first client meeting and payment is due once the plan has been completed and discussed with the client.

All planning fees are payable after services have been completed and the client may, if unhappy with the results, get a full refund or not pay for services rendered.

All fees are subject to negotiation with regard to planning fees mentioned above in Item 5; certain clients may have ongoing planning with quarterly update fees.

The specific manner in which fees are charged by Horizon Financial Group, Inc. is established in a client's written agreement with Horizon Financial Group, Inc. Horizon Financial Group, Inc. will generally bill its fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter. Clients will be billed directly for fees. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Horizon Financial Group, Inc.'s fees are exclusive of transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to Horizon Financial

Group, Inc.'s fee, and Horizon Financial Group, Inc. shall not receive any portion of these commissions, fees, and costs. For those assets managed by outside registered investment advisory firms, Horizon Financial Group, Inc. charges a 1% fee to its client for design, due diligence, monitoring, review, and oversight.

Item 12 further describes the factors that Horizon Financial Group, Inc. considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

Horizon Financial Group, Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### Item 7 – Types of Clients

Horizon Financial Group, Inc. provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions.

### **Horizon Financial Group, Inc. Pay To Play Policy**

#### **Introduction**

The SEC recently adopted a new Rule aimed at preventing investment advisers from making or soliciting campaign contributions in order to “buy” the investment advisory business of state and local government entities. Rule 206(4)-5, commonly referred to as the “Pay to Play” rule, prohibits numerous campaign contribution-related activities by

investment advisory firms that have, or that solicit, state or local government clients (which include their participant-directed plans such as 403(b) and 457 plans). The Rule requires firms to maintain records of political contributions made by its covered associates and records of all government entities that are clients.

## **Scope**

The following Horizon Financial Group, Inc. Policy applies to employees, and investment advisory representatives of Horizon Financial Group, Inc. (collectively, "Covered Associates").

## **Policy**

Covered Associates are prohibited from:

- Providing advisory services for compensation to a government client for two years after the advisor or its "covered associates" make a contribution to certain elected officials or candidates who could influence (or who could appoint persons who could influence) a government entity's selection of investment advisers ("two-year time out").
- Paying third parties to solicit government entities for advisory business unless the third party is a registered broker/dealer or investment advisor subject to pay to play rules.
- Soliciting others to contribute to certain elected officials, candidates, or political parties where the advisor provides, or seeks to provide, advisory services to state or local governments.

## **Limit to Political Contributions/Reporting**

In accordance with Rule 206(4)-5, effective March 13, 2011, political contributions made by Covered Associates to the holder of, or candidates running for, state or local office must be limited to the de minimis amounts as specified in the rule. This means that all Covered Associates are limited to political contributions of:

- \$150 per election, per candidate, or
- \$350 if the contributor is able to vote for the candidate

All such contributions must be reported Horizon Financial Group, Inc. within 30 days of the contribution being made. Additionally, an initial and an annual attestation regarding compliance with this policy will be required by writing.

## **Identification of State/Municipal Client Accounts**

Horizon Financial Group, Inc. must identify all existing state or municipal entity accounts and will need to identify new clients if they are state or municipal entities. Horizon Financial Group, Inc. will undertake a review of all client records to determine clients that are, or may be, state or municipal entities, and will require that all advisory representatives identify such clients and their accounts.



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

### **Fundamental Investment Analysis**

**Fundamental Analysis** goes beyond the daily ups and downs of a stock and focuses on the company behind the stock. Fundamental analysis is about looking at the way a company does business, how sound it looks and what the future prospects of the company might be. Some of the factors to consider when analyzing the fundamentals of a company include:

*Is the company making a profit?*

*Can the company repay its debt?*

*Is there potential for growth?*

*What is the management like?*

Fundamental analysis can be used for more than just choosing stocks to invest in. It is possible to apply the big picture analysis to wider trends in economies, industries and sectors. Fundamental analysis can also be applied to funds, currencies and commodities.

There can be no guarantees that this or any analysis used to design a portfolio will provide positive future results.

In addition to Fundamental Analysis, there are several sources of information used on a regular basis to formulate investment strategies:

- 1) Financial newspapers and magazines
- 2) Research materials prepared by others
- 3) Annual reports, prospectuses, filings with the Securities and Exchange Commission
- 4) Company press releases

Although Horizon Financial Group, Inc. employs the use of a “Risk Questionnaire” to determine existing or prospective client’s propensity to risk in general, various investment vehicles and strategies utilized by Horizon Financial Group, Inc. have specific risks inherent to their asset class.



## RISK of Various Investments:

### Bonds

Bonds are bought and sold in the open market. Fluctuation in their values occurs depending on the interest rate of the general economy. Basically, the interest rate directly affects the worth of your investment. For instance, if you have a thousand dollar bond which pays the interest of 5% yearly, you can sell it at a higher face value provided the general interest rate is below 5%. And if the rate of interest rises above 5%, the bond, though it can still be sold, is usually sold at less than its face value.

The logic behind this system is that the investors deal with a higher rate of interest than the actual bond pays. Thus, the bond is sold at lower value in order to offset the gap. The OTC market, which is comprised of banks and security firms, is the favorite trading place for bonds, because corporate bonds can be listed on the stock exchange, and can be purchased through stock brokers.

With bonds, unlike stocks, you, as the investor, will not directly benefit from the success of the company or the amount of its profits. Instead, you will receive a fixed rate of return on your bond. Basically, this means that whether the company is wildly successful OR has an abysmal year of business, it will not affect your investment, unless the company were to default on the bond. Your bond return rate will be the same. Your return rate is the percentage of the original offer of the bond. This percentage is called the coupon rate.

It is also important to remember that bonds have maturity dates. Once a bond hits its maturity date, the principal amount paid for that bond is returned to the investor. Different bonds are issued with different maturity dates. Some bonds can have up to 30 years of maturity period.

When dealing in bonds, the greatest investment risk that you face is the possibility of the principal investment amount NOT being paid back to you. Obviously, this risk can be somewhat controlled through the careful assessment of the companies or institutions that you choose to invest in.

Those companies that possess more credit worthiness are generally safer investments when it comes to bonds. The best example of a "safe" bond is the government bond. Another is the blue chip company bond. Blue chip companies are well-established companies that have proven and successful track records over a long span of time. Of course, such companies will have lower coupon rates.

If one willing to take a greater risk for better coupon rates, they you would probably end up choosing the companies with low credit ratings, companies that are unproven or unstable.

Keep in mind, there is a greater risk of default on the bonds from smaller corporations; however, the other side of the coin is that bond holders of such companies are preferential creditors. They get compensated before the stock holders in the event of a business going bankrupt.

### **Stocks**

Stocks represent shares of a company. These shares give part of the ownership of the company to you, the share-holder. Your stake in that company is defined by the amount of shares that you, the investor, own. Stock comes in small-caps, mid caps, and large capitalizations.

As with bonds, you can decrease the risk of stock trading by choosing stocks carefully, assessing investments and weighing the risk of different companies. Obviously, an entrenched and well-known corporation is much more likely to be stable than a new and unproven one. And the stock will reflect the stability of the companies.

Stocks, unlike bonds, fluctuate in value and are traded in the stock market. Their worth is based directly on the performance of the company. If the company is doing well, growing, and attaining profits, then so does the value of the stock. If the company is weakening or failing, the stock of that company decreases in value.

There are various ways in which stocks are traded. In addition to being traded as shares of a company, stock can also be traded in the form of options, which is a type of Futures trading. Stock can also be sold and bought in the stock market on a daily basis. The value of a certain stock can increase and decrease according to the rise and fall in the stock market. Because of this, investing in stocks is riskier than investing in bonds.

### **Non Traded REITs (Real Estate)**

There are a number of risk factors to consider as you explore non-traded REITs. Non-traded REITs are available only to suitable investors, and investing criteria varies by program. Prior to investing in any program, read the prospectus in its entirety and all risks should be considered. Some of the risks associated with non-traded REITs include:

- absence of a public market for these securities, lack of liquidity and an expected investment time horizon in excess of 5 years;



- no guarantee that investors will receive a distribution. Distributions may be derived from the proceeds of the offering, from borrowings, or from the sale of assets, and there are no limits on the amounts that may be paid from such other sources. Payments of distributions from sources other than cash flow from operations may decrease or diminish an investor's interest;
- conflicts of interest between the REIT audits advisors and its affiliates, including payments by the REIT of significant fees to the advisor;
- economic factors affecting the commercial real estate markets generally, including changes in the economy, tenant turnover, interest rates, availability of mortgage funds, operating expenses, cost of insurance and each of our tenants' ability to continue to pay rent;
- no connection between the share price of the REIT and the net asset value of the REIT until such time as the assets are valued by the Board of Directors.

### **Managed Futures**

Managed futures investments involve significant risks, including the following: An investment in a managed futures investment involves a high degree of risk, is speculative and volatile. An investor could lose all or a substantial part of his or her investment. There is no guarantee that an investment of this type will achieve its objectives. Managed futures investments involve the use of significant leverage that may increase the risk of investment loss. Managed futures are not subject to the same regulatory requirements as mutual funds. An investment in managed futures funds is sometimes illiquid. A portion of the trades executed with respect to managed futures investments may take place on foreign exchanges. Managed futures investments may be considered as a potential component of a fully diversified investment portfolio. If a managed futures fund does not perform in a manner that has a low correlation to the performance of traditional financial markets or does not perform successfully, investors will obtain no diversification benefits by investing in such fund. It is important to read the offering memorandum or prospectus before investing.

### **Variable Annuities**

Deferred variable annuities are long-term investments. Getting out early can mean taking a loss. Many variable annuities assess surrender charges for withdrawals within a specified period, which can be as long as four to eight years or more. Also, any withdrawals before an investor reaches the age of 59 ½ are generally subject to a 10 percent tax penalty in addition to any gain being taxed as ordinary income. Most variable annuities have a sales

charge. Many variable annuity shares typically do not charge a front-end sales charge, but they do impose asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a

surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero. In addition to sales and surrender charges, variable annuities may impose a variety of fees and expenses when you invest in them, such as:

- **Mortality and expense risk charges**, which the insurance company charges for the insurance to cover:
  - - guaranteed death benefits;
    - annuity payout options that can provide guaranteed income for life; or
    - guaranteed caps on administrative charges.
- **Administrative fees**, for record-keeping and other administrative expenses.
- **Underlying fund expenses**, relating to the investment subaccounts.
- **Charges for special features**, such as:
  - - stepped-up death benefits;
    - guaranteed minimum income benefits;
    - long-term health insurance; or
    - principal protection

These annual fees on variable annuities can reach 2 percent or more of the annuity's value. Remember, you will pay for each variable annuity benefit. If you don't need or want these features, you should consider whether this is an appropriate investment for you.

Insurance companies issuing variable annuities provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them. While it is an uncommon occurrence that the insurance companies that back these guarantees are unable to meet their obligations, it happens. There are several credit rating agencies that rate a company's financial strength. Information about these agencies can be found on the SEC's website: [www.sec.gov](http://www.sec.gov). Please review the prospectus of a variable annuity before investments are made.

### **Mutual Funds**

Different mutual fund categories have inherently different risk characteristics and should not be compared side by side. A bond fund with below-average risk, for example, should



not be compared to a stock fund with below average risk. Even though both funds have low risk for their respective categories, stock funds overall have a higher risk/return potential than bond funds.

Of all the asset classes, cash investments (i.e. money markets) offer the greatest price stability but have yielded the lowest long-term returns. Bonds typically experience more short-term price swings, and in turn have generated higher long-term returns. However, stocks historically have been subject to the greatest short-term price fluctuations—and have provided the highest long-term returns. Investors looking for a fund which incorporates all asset classes may consider a balanced or hybrid mutual fund. These funds can be very conservative or very aggressive. Asset allocation portfolios are mutual funds that invest in other mutual funds with different asset classes. At the discretion of the manager(s), securities are bought, sold, and shifted between funds with different asset classes according to market conditions.

Mutual funds face risks based on the investments they hold. For example, a bond fund faces risks such as interest rate risk and income risk. Bond values are inversely related to interest rates. If interest rates go up, bond values will go down and vice versa. Bond income is also affected by the change in interest rates. Bond yields are directly related to interest rates falling as interest rates fall and rising as interest rise. Income risk is greater for a short-term bond fund than for a long-term bond fund.

Similarly, a sector stock fund (which invests in a single industry, such as telecommunications) is at risk that its price will decline due to developments in its industry. A stock fund that invests across many industries is more sheltered from this risk defined as industry risk.

Following is a glossary of some risks to consider when investing in mutual funds.

- **Call Risk.** The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.
- **Country Risk.** The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- **Credit Risk.** The possibility that a bond issuer will fail to repay interest and principal in a timely manner. Also called default risk.
- **Currency Risk.** The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- **Income Risk.** The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.

- **Industry Risk.** The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- **Inflation Risk.** The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- **Interest Rate Risk.** The possibility that a bond fund will decline in value because of an increase in interest rates.
- **Manager Risk.** The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- **Market Risk.** The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- **Principal Risk.** The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

Changing market conditions can create fluctuations in the value of a mutual fund investment.

There are fees and expenses associated with investing in mutual funds that do not usually occur when purchasing individual securities directly.

As with any type of investment, there are drawbacks associated with mutual funds.

- **No Guarantees.** The value of your mutual fund investment, unlike a bank deposit, could fall and be worth less than the principle initially invested. And, while a money market fund seeks a stable share price, its yield fluctuates, unlike a certificate of deposit. In addition, mutual funds are not insured or guaranteed by an agency of the U.S. government. Bond funds, unlike purchasing a bond directly, will not re-pay the principle at a set point in time.
- **The Diversification "Penalty."** Diversification can help to reduce your risk of loss from holding a single security, but it limits your potential for a "home run" if a single security increases dramatically in value. Remember, too, that diversification does not protect you from an overall decline in the market.
- **Costs.** In some cases, the efficiencies of fund ownership are offset by a combination of sales commissions, 12b-1 fees, redemption fees, and operating expenses. If the fund is purchased in a taxable account, taxes may have to be paid on capital gains. It's important to compare the costs of funds you are considering. Always look at "net" returns when comparing fund performances. Net return is the bottom line; an investment's true return after all costs are deducted.

Prospectuses will not contain all the costs that affect the net return on an investment. This is why it is important to compare net returns whether or not the fund is a no-load or load fund.



Because mutual funds are professionally managed investments, there are management fees and operating expenses associated with investing in a fund. These fees and expenses charged by the fund are passed onto shareholders and deducted from the fund's return.

These expenses are typically expressed as the expense ratio - the percent of fund assets spent (annually) on day-to-day operations. Expense ratios can vary widely among funds. Expense ratios for mutual funds commonly range from 0.2% to 2.0%, depending on the fund. Consult the fund's prospectus to determine the expense ratio for a specific fund and to understand the other expenses and risks of mutual fund investing.

#### Item 9 – Disciplinary Information

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

#### Item 10 – Other Financial Industry Activities and Affiliations

Robert V. Iandoli, advisory representative of Horizon Financial Group, Inc. has been in the life insurance business for 36 years and derives additional income from that endeavor. In order to promote, maintain, and service the life insurance business, approximately 20% of the work week is utilized.

Horizon Financial Group, Inc. through its advisory representative, Robert V. Iandoli, a registered representative of Lincoln Financial Securities Corporation, broker-dealer, places all business through the aforementioned broker-dealer.

In addition, the money managers approved by the broker-dealer are also Investment Advisors through which Horizon Financial Group, Inc. places client funds based on their goals, risk tolerance, and other important factors collected during the information gathering process.

From time to time the advisor utilizes software and information from financial planning companies to help in the planning process for its clients. The advisor does not use the services of other financial planning firms to complete client plans and proposals. Lastly, insurance company products are sometimes used in the overall planning and ongoing investments of its clients.

At times the advisor will recommend various approved money managers to manage client accounts for which it receives income. This list of approved money managers is listed and reviewed by the broker-dealer, Lincoln Financial Securities Corporation. The advisor selects, monitors and reviews the various money managers for its clients and receives remuneration for these services on behalf of clients. That remuneration is paid by the various money managers through Lincoln Financial Securities Corporation, the broker-dealer. The client does not pay Horizon Financial Group, Inc. directly.

#### Item 11 – Code of Ethics

All transaction (i.e. purchases of securities and other investments) are completed through the broker-dealer - Lincoln Financial Securities Corporation. Commissions are paid to the advisory representative, Robert V. Iandoli, for these transactions.

The advisor does not buy or sell for itself securities it recommends to clients since the firm does not recommend such investments. The advisory representative, Robert V. Iandoli, may from time to time recommend securities to clients and may at times hold some securities in his personal account, that are held by clients. However, there are strict rules and regulations regarding the purchase and sale of securities by the broker-dealer which are followed to the letter of the law. For example, if the same stock is held by Robert V. Iandoli and a client and both positions will be sold, the clients position must be sold first. In addition, if a stock is to be bought, the clients position must be executed before the position of Robert V. Iandoli. The current fee mentioned above payable through Lincoln Financial Securities Corporation to Robert V. Iandoli investment advisory representative of Horizon Financial Group, Inc. is 1% of assets under management by the specified money manager.

The firm maintains a Code of Ethics which is available to all clients and prospective clients upon request. In general the document contains and stresses confidentiality, fairness and suitability, integrity, honesty, full disclosure, professionalism, and constant regulatory compliance. With regard to conflicts of interest the firm and Robert V. Iandoli adhere to the rules and regulations of the broker-dealer - Lincoln Financial Securities Corporation with



regard to all securities trades, as well as those rules regarding securities that Robert V. Landoli may hold in a personal account for himself or his family. In addition, if a client pays a fee to a money manager proposed by Horizon Financial Group, Inc. and Robert V. Landoli, there are no commissions payable on that account as the fees are inclusive with no other costs to the client. When an investment plan is proposed to a client there may be investment products for which commissions are paid. In that case, there are no fees due from the client as the commission is the only payment due. In other words, there will either be a fee for management of funds or a commission on those investment products that pay a commission. In no event will a client be charged a fee and a commission on the same investment product. Horizon Financial Group, Inc. reviews all investments proposed to clients to avoid any double payment (i.e. fees or commissions); The client is always informed in advance if an investment product has a fee or a commission. If trades are made on a client's behalf, the client always gets the best price available through the Pershing platform which is used by Lincoln Financial Securities Corporation.

Horizon Financial Group, Inc. has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Horizon Financial Group, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

Horizon Financial Group, Inc. anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Horizon Financial Group, Inc. has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Horizon Financial Group, Inc., its affiliates and/or clients, directly or indirectly, have a position of interest. Horizon Financial Group, Inc.'s employees and persons associated with Horizon Financial Group, Inc. are required to follow Horizon Financial Group, Inc.'s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Horizon Financial Group, Inc. and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Horizon Financial Group, Inc.'s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Horizon Financial Group, Inc. will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions,

based upon a determination that these would materially not interfere with the best interest of Horizon Financial Group, Inc.'s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Horizon Financial Group, Inc. and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Horizon Financial Group, Inc.'s obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Horizon Financial Group, Inc. will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Horizon Financial Group, Inc.'s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Robert V. Iandoli.

It is Horizon Financial Group Inc.'s policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Horizon Financial Group, Inc. will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.



## Item 12 – Brokerage Practices

Soft dollar benefits are not limited to those clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients.

*And*

Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

The broker-dealer - Lincoln Financial Securities Corporation (previously Jefferson Pilot Securities Corporation and Chubb Securities Corporation) has been the broker-dealer of Robert V. Iandoli of Horizon Financial Group, Inc. for over 25 years. Commissions and advisory service fees are paid to the broker-dealer and then to Robert V. Iandoli of Horizon Financial Group, Inc.

All transaction necessary to the ongoing services of Horizon Financial Group, Inc. are not outsourced to other brokers. All securities transactions are performed by Robert V. Iandoli through the broker-dealer, Lincoln Financial Securities Corporation. All research comes from broker-dealer information, newspapers, and other information services provided by the financial industry and is processed internally.

Several of the services are paid for by Robert V. Iandoli of Horizon Financial Group, Inc. Horizon Financial Group, Inc.'s advisory representative, Robert V. Iandoli, has been a registered representative of Lincoln Financial Securities Corporation (the broker-dealer) for many years. He is comfortable with the format and procedures of this broker-dealer. In addition, this broker-dealer offer superior due diligence regarding the investment products it offers to it representative for their clients, and their compliance department and trade desk are extremely well run. Lastly the broker-dealer uses the Pershing platform for trades in brokerage accounts. Aside from getting best prices for clients the platform is ever changing to bring the best technology and execution to the registered representative and intimately to their clients.

### Item 13- Review of Accounts

Robert V. Iandoli, advisory representative and President of Horizon Financial Group, Inc. reviews all accounts on a quarterly basis

Clients receive quarterly reports directly from the specific money managers that handle their accounts. In addition, Robert V. Iandoli meets with clients as often as is necessary but not less than once per year. During those meetings, certain issues are discussed with clients including but not limited to: asset allocation, risk tolerance, investment performance, material changes, economic conditions, and review of client suitability issues.

### Item 14 – Client Referrals and Other Compensation

Lincoln Financial Securities Corporation holds national meetings in various destinations each year. During these meetings there are discussion regarding investment companies, compliance issues, and regulatory changes. Based on the overall production, a registered representative maybe awarded airfare, hotel, and other related expenses. There is no conflict of interest, as these awards do not pertain to any one client's investments rather the overall production of a registered representative in this case, Robert V. Iandoli, advisory representative of Horizon Financial Group, Inc.

### Item 15 - Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Horizon Financial Group, Inc. urges careful review of such statements and comparing such official custodial records to the account statements that may be provided. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.



## Item 16 – Investment Discretion

Horizon Financial Group, Inc. usually receives limited discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. With regard to the purchase or sale of such securities, all clients must be contacted in advance of such transactions and must authorize Horizon Financial Group, Inc. and Robert V. Iandoli to proceed with the requested transaction.

When selecting securities and determining amounts to be purchased, Horizon Financial Group, Inc. observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Horizon Financial Group, Inc.'s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Horizon Financial Group, Inc. in writing.

## Item 17 – Voting Client

As a matter of firm policy and practice, Horizon Financial Group, Inc. does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Horizon Financial Group, Inc. may provide advice to clients regarding the clients' voting of proxies.

## Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Horizon Financial Group, Inc.'s financial condition. Horizon Financial Group, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## Item 19 – Requirements for State-Registered Advisors

Robert V. Iandoli entered the financial service industry in 1974 with a major insurance company and later founded RVI Associates in March of 1976. In 2001, he incorporated Horizon Financial Group, Inc., a registered investment advisory firm specializing in total financial planning.

Bob has been a member of The Million Dollar Round Table since 1975 and more currently a member of the prestigious Court of the Table and Top of the Table. He is a Registered Principal with Lincoln Financial Securities Corporation and an Investment Advisor Representative and President of his company, Horizon Financial Group, Inc.

Bob also served as President of the Premier Partner Advisory Council with Lincoln Financial, a liaison group whose main directive is to create an atmosphere of cooperation between the Premier Partner field force and the Lincoln Financial officers and employees.

Bob attended New York Military Academy during his high school years and later Bloomfield College, where he graduated with a degree in Business and Finance. He currently holds investment certificates for Series 7, 24, and 63, as well as life and health insurance licenses.

Bob is married to Barbara Davis-Iandoli and they reside in Far Hills, New Jersey with their son, Ian. Daughter Heather is married and lives in Severna Park, Maryland with her husband, Jason, and children, Will and Evelyn.