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Date

FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Hermening Advisory Services LLC. If you have any questions about the contents of this brochure, please contact us at (715) 842-1916 or via e-mail at kevinh@hermeningfinancialgroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Hermening Advisory Services LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Hermening Advisory Services LLC is 134927.

Hermening Advisory Services LLC is a registered investment adviser. Registration with the or any state securities authority does not imply a certain level of skill or training.

Summary of Material Changes

Form ADV Part 2A, Item 2

This brochure 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. Beyond the change in format, and the new information, we have not made any material changes to this brochure since our last annual update.

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Advisory Business

Form ADV Part 2A, Item 4

Description of Services and Fees

Hermening Advisory Services LLC is a registered investment adviser primarily based in Wausau, Wisconsin. We organized as a limited liability company under the laws of the State of Wisconsin in 2005. We have been providing investment advisory services since 2006. Kevin J. Hermening is our principal owner. Currently, we offer the following investment advisory services, which are customized to each individual client:

- Financial Planning and Consulting Services
- Investment Management Services
- **Recommendation of Independent Advisers**

Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words “we”, “our” and “us” refer to Hermening Advisory Services LLC and the words “you”, “your” and “client” refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm’s officers, employees, and all individuals providing investment advice on behalf of our firm.

Investment adviser representatives (“IARs”) associated with us are also registered representatives of First Allied Securities, Inc. (“FASI”), a full service securities broker/dealer licensed under federal and state securities laws. FASI is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). Securities transactions for FASI brokerage clients are executed through Pershing, LLC (“Pershing”), an unaffiliated securities broker/dealer. IARs of the firm may also be registered to provide investment advisory services under First Allied Advisory Services, Inc. (“FAAS”), an SEC registered investment adviser affiliated with FASI. Separate and apart from such brokerage and advisory activities, IARs of HAS will provide the following services to the firm’s advisory clients.

Financial Planning and Consulting Services

Financial planning will typically involve providing a variety of services, principally advisory in nature, to you regarding the management of your financial resources based upon an analysis of your individual needs. One of our IARs will first conduct a complimentary initial consultation. During or following the initial consultation, if you decide to engage us for financial planning services, an IAR will collect pertinent information about your financial circumstances and objectives. Once such information has been reviewed and analyzed, we will produce and present to you a written financial plan designed to achieve your stated financial goals and objectives. The primary objective of this process is to allow us to assist you in developing a strategy for the successful management of income, assets, and liabilities in meeting your financial goals and objectives.

If you only require advice on a single aspect of the management of your financial resources, we offer financial plans in a modular format and/or general consulting services that address only those specific areas of concern. These areas may include, but are not limited to, investment planning, retirement planning, business planning, education planning, advice on existing or potential investment products, asset allocation, and/or financial decision making/negotiation.

Financial plans are based on your financial situation at the time the plan is presented and based on the financial information you disclose to us. You are advised that we may make certain assumptions regarding interest and inflation rates and use past trends and performance of the market and economy. Past performance is in no way an indication of future performance. We cannot offer any guarantees or promises that your financial goals and objectives will be met. As your financial situation, goals, objectives, or needs change, you agree to notify us promptly.

We charge an hourly rate that ranges between \$100 and \$500 per hour for consulting services. Fixed project

fees rates typically range between \$1,000 and \$15,000. Planning and consulting fees are subject to negotiation and will be based on your financial situation, the services requested, and the IAR providing the services. An estimate of the total time/cost will be determined at the start of the advisory relationship. Typically, financial planning fees will be due in advance. However, other fee payment arrangements may be negotiated. For example, particularly complex plans may require an initial payment of 50% of the estimated time/cost and the balance will be due upon completion of the contracted services.

Typically, all plans will be presented within 180 days from the date that both parties have signed the agreement. For lengthy engagements, interim payments may be requested. In *limited circumstances*, the time/cost could potentially exceed the initial estimate. In such cases, we will notify you and we may request that you pay an additional fee.

In our sole discretion, we may choose to waive or offset a portion of the financial planning fees if commissions are paid to our associated persons in conjunction with plan implementation.

Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Client Agreement executed between us prior to services being rendered. We will either invoice you or the qualified custodian holding your funds and securities will debit your account directly for the financial planning/consulting fees payable to us. Written authorization is required for fees to be paid directly from an investment account. We will not have access to your funds for payment of fees without your consent in writing. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you. You are encouraged to review your account statements for accuracy.

You may terminate the Client Agreement within five business days of the date of acceptance without penalty to you. After the five-day period, either party may terminate the agreement by providing written notice to the other party. However, you will incur a pro rata charge for bona fide financial planning and/or consulting services rendered prior to such termination. In the event there are any prepaid, unearned fees, we will promptly refund a pro rata share to you.

Annual Retainer Services

We offer ongoing financial and tax planning services to you on an annual basis. You might also need assistance with plan implementation. You may select this service following the completion and presentation of the initial written financial plan or you may wish to retain us on an annual basis at the inception of the advisory relationship. As part of this program, we will generally establish a regular consulting/planning cycle to work with you in managing specific aspects of the overall financial plan. In conjunction with ongoing planning and consulting services, we may meet with your other professional advisers (attorneys, realtors, accounting and tax professionals, etc.) for a series of information gathering and/or implementation meetings. We may also act as a project manager to coordinate the work of the appropriate parties in a manner consistent with your long-term desired outcome. As your financial situation, goals, objectives, or needs change, you must notify us promptly.

Negotiable annual retainer fees typically range between \$1,000 and \$15,000 and are payable quarterly in advance or arrears per the Client Agreement. The agreed upon fee will be established at the beginning of the advisory/client relationship based upon the scope of the work to be performed and the complexity of your financial situation. Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Client Agreement executed between us prior to services rendered. The retainer fee will be fixed for a 12-month period; thereafter, the retainer fee may be adjusted based on the scope and complexity of the engagement.

Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Client Agreement executed between us prior to services being rendered. We will either invoice you or the qualified custodian holding your funds and securities will debit your account directly for the retainer fees paid to us. Written authorization is required for fees to be paid directly from an investment account. We will not have access to your funds for payment of fees without your consent in writing. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you. You are encouraged to review your account statements for accuracy.

You may terminate the Client Agreement within five business days of the date of acceptance without penalty to you. After the five-day period, either party may terminate the agreement by providing written notice to the other party. However, you will incur a pro rata charge for bona fide retainer services rendered prior to such termination. In the event there are any prepaid, unearned fees, we will promptly refund a pro rata share to you.

Investment Management Services

As part of the planning process, an IAR will gather information from you including current investments and recommend a model portfolio suited to meet your identified goals, financial needs, risk tolerance, personal financial circumstances, and investment objectives in light of general economic and market conditions.

We may utilize financial planning related services as part of our overall investment management services. These services may involve providing advice to you regarding the investment/management of your financial resources based upon an analysis of your individual needs. We are not compensated separately for financial planning services that are ancillary to our investment management services.

In providing discretionary management services, we do not accept client restrictions on the specific securities or the types of securities that may be held in their account.

We offer three distinct management programs: Product Program, Asset Management Program (Wrap Fee Program), and Asset Allocation Service Program.

Product Program

We offer money management for individual investment company products, such as mutual funds and variable annuity contracts (sub-accounts). These services are generally referred to as the "Product Program." The fees for the Product Program are due quarterly in arrears, in accordance with the following fee schedule. These fees and fee-paying arrangements may be negotiable, in accordance with arrangements between us and various individual product providers.

| <u>Assets Under Management</u> | <u>Annualized Fee</u> |
|--------------------------------|-----------------------|
| Up to \$500,000 | 1.80% |
| Up to \$999,999 | 1.35% |
| \$1,000,000 and up | 0.90% |

You should be aware that by engaging these services, you will pay a direct management fee to us in addition to an indirect management fee to the investment product provider.

Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Client Agreement executed between us prior to services being rendered. We will either invoice you or the qualified custodian holding your funds and securities will debit an investment account directly for the management fees payable to us. Written authorization is required for fees to be paid directly from an investment account. We will not have access to your funds for payment of fees without your consent in writing. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you. You are encouraged to review your account statements for accuracy.

You may terminate the Client Agreement within five business days of the date of acceptance without penalty to you. After the five-day period, either party may terminate the agreement by providing written notice to the other party. However, you will incur a pro rata charge for bona fide management services rendered prior to such termination. As fees are paid in arrears, upon termination fees will be due and payable by you.

Asset Management Program (Wrap Fee Program)

We offer managed portfolios that may include mutual funds (no-load, load waived, or load funds after a two year holding period), unit investment trusts, exchange traded funds, and individual stocks or bonds. All transactions for the portfolio will be placed by Kevin Hermening at FASI. You will be required to open and maintain an account with FASI (held by Pershing, FASI's clearing firm).

The annual fee for the Asset Management Program is billed quarterly in arrears based on the market value of the assets on the last day of the preceding quarter. Fees will be assessed pro rata in the event the Asset Management Program agreement is executed at any time other than the first day of a calendar quarter. The advisory fee is based on a percentage of assets under management and may be negotiable.

| <u>Assets Under Management</u> | <u>Annualized Fee</u> |
|--------------------------------|-----------------------|
| Up to \$250,000 | 1.80% |
| Up to \$499,999 | 1.50% |
| Up to \$999,999 | 1.20% |
| \$1,000,000 and up | 0.90% |

At our discretion, accounts of members of the same household may be allowed to be aggregated for purposes of determining the advisory fee. We may allow such aggregation, for example, where we service accounts on behalf of your minor children, individual and joint accounts for a spouse, and other types of related accounts. This consolidation practice is designed to provide you with the benefit of an increased asset total, which could potentially cause the account(s) to be assessed a reduced advisory fee based on the breakpoints available per the fee schedule.

We will bear all expenses of trades being placed on your behalf. This includes SEC charges, brokerage commissions, and custodial expenses and fees. It also includes annual IRA custodial charges.

Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Client Agreement executed between us prior to services being rendered. We will either invoice you or the qualified custodian holding your funds and securities will debit an investment account directly for the management fees payable to us. You will provide written authorization permitting the fees to be paid directly from your account held by the custodian. We will not have access to your funds for payment of fees without your consent in writing. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you. You are encouraged to review your account statements for accuracy.

You may terminate the Client Agreement within five business days of the date of acceptance without penalty to you. After the five-day period, either party may terminate the agreement by providing written notice to the other party. However, you will incur a pro rata charge for bona fide management services rendered prior to such termination. As fees are paid in arrears, upon termination fees will be due and payable by you.

Asset Allocation Services Program

We provide asset allocation services for variable life insurance contracts, self-directed 401(k) plan participants, and other self-directed accounts. These services may include asset allocation advice, communication and education services, investment performance monitoring, and/or ongoing consulting. These services may be provided independent of other services offered by us, or you may otherwise retain us for additional services as disclosed in this brochure.

Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Client Agreement executed between us prior to services being rendered. We will either invoice you or the qualified custodian holding your funds and securities will debit an investment account directly for the allocation services fees payable to us. You will provide written authorization permitting the fees to be paid directly from your account held by the custodian. We will not have access to your funds for payment of fees without your consent in writing. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you. You are encouraged to review your account statements for accuracy.

You may terminate the Client Agreement within five business days of the date of acceptance without penalty to you. After the five-day period, either party may terminate the agreement by providing written notice to the other party. However, you will incur a pro rata charge for bona fide allocation services rendered prior to such termination. As fees are paid in arrears, upon termination fees will be due and payable by you.

Recommendation of Independent Advisers

We may have referred clients to various third-party money managers ("TPMMs") for asset management services. Those TPMMs must be registered investment advisers with the SEC or with appropriate state authorities. However, this program is no longer open to new accounts.

Upon selection of a TPMM, we monitor their performance and investment style to ensure it remains aligned with the client's investment goals and objectives.

Depending upon our agreement with each TPMM recommended, we either share in the fee paid by the client to the TPMM or we charge a percentage of the assets placed under management with the TPMM. However, the clients are not charged a combined annual fee in excess of 3% of assets under management. Clients who are referred to TPMMs receive full disclosure, including services rendered and fee schedules, at the time of the referral by delivery of a copy of the relevant TPMM's Brochure or equivalent disclosure document. In addition, if the investment program recommended is a wrap fee program, the client also receives the Form ADV Part 2A Appendix 1 or equivalent wrap fee brochure provided by the sponsor of the program. We or the TPMM provide to the clients all appropriate disclosure statements, including disclosure of solicitation fees paid to us.

Fees paid by the clients to the TPMM are established and payable in accordance with the Form ADV Part 2A or other equivalent disclosure document provided by each TPMM to whom the clients are referred and these fees may or may not be negotiable. Such compensation may differ depending upon the individual agreement we have with each TPMM. As such, we may have an incentive to recommend one TPMM over another TPMM with whom we have less favorable or no compensation arrangements.

The TPMM will actively manage your portfolio and will assume discretionary investment authority over your account. We will assume discretionary authority to hire and fire TPMM and/or reallocate your assets to other TPMM(s) where we deem such action appropriate.

Those clients that participated in this program may be required to sign an agreement directly with the TPMM selected. In accordance with the provisions of those agreements, the clients or the TPMM may terminate the advisory relationship. If the TPMM is compensated in advance, the clients typically receive a pro rata refund of any prepaid advisory fees upon termination of an advisory agreement.

Types of Investments

We primarily offer advice on equity securities, mutual funds and exchange traded funds.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

In general, we manage wrap fee accounts on a discretionary basis based on a long-term investment strategy. However, we manage non-wrap fee accounts on either a discretionary or a non-discretionary basis, and may include a short-term investment strategy in managing this type of account. A long-term investment strategy will typically involve investing in securities that are anticipated to grow in value over a relatively long period of time. On the other hand, a short-term investment strategy will typically involve purchasing and selling securities within a relatively short period of time based on these securities' short-term price fluctuations.

For an explanation of our Wrap Fee Program and its costs, refer to the Appendix 1.

Assets Under Management

As of March 1, 2011, we manage \$70,000,000 in client assets on a discretionary basis.

Fees and Compensation

Form ADV Part 2A, Item 5

Please refer to the “Advisory Business” section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund’s prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the “Brokerage Practices” section of this brochure.

Compensation for the Sale of Securities or Other Investment Products

Persons providing investment advice on behalf of our firm are registered representatives with FASI, a securities broker-dealer, and a member of FINRA and SIPC. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees, for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions which generates commissions. When appropriate, we will recommend “no-load” funds. However, you are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm.

We may recommend that you purchase variable annuities to be included in your investment portfolio(s). Persons providing investment advice on behalf of our firm may earn commissions on the sale of the variable annuities in their capacity as a registered representative of FASI. If these persons earn commissions on the sale of variable annuities recommended to you, a reduced fee will apply for the first 12 months from the date of purchase, unless a discount has already been applied. Annuities will be purchased for your account only after you receive a prospectus disclosing the terms of the annuity. You are under no obligation, contractually or otherwise, to purchase variable annuities through any person affiliated with our firm.

Persons providing investment advice on behalf of our firm may be licensed as independent insurance agents. These persons may earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you which generates commissions. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

At our discretion, we may offset our advisory fees to the extent our Associated Persons earn commissions in their separate capacities as registered representatives and/or insurance agents.

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Types of Clients

Form ADV Part 2A, Item 7

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your Account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Charting Analysis – involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- Fundamental Analysis – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Cyclical Analysis – a type of technical analysis that involves evaluating recurring price patterns and trends.
- Modern Portfolio Theory (MPT) is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.
- Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

- Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- Short Sales – a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.
- Margin Transactions – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- Option Writing – a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors.

The investment strategy utilizes a diversified allocation, with reallocation and rebalancing occurring based upon a significant change in the average prices per share of any security in a portfolio.

Charting and Technical Analysis - The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Fundamental Analysis - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Cyclical Analysis - Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this brochure, we primarily recommend equities, mutual funds and exchange traded funds, however we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Equities: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual Funds and Exchange Traded Funds: Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely.

Short Selling: Short selling is very risky. Unlike a straightforward investment in stocks where you buy shares with the expectation that their price will increase so you can sell at a profit, in a "short sale" you borrow stocks from your brokerage firm and sell them immediately, hoping to buy them later at a lower price. Thus, a short seller hopes that the price of a stock will go down in the near future. A short seller thus uses declines in the market to his advantage. He makes money when the stock prices fall and loses when prices go up. The SEC has strict regulations in place regarding short selling. There is no ceiling on how much a short seller can lose in a trade. The share price may keep going up and the short seller will have to pay whatever the prevailing stock price is to buy back the shares. However, his gains have a ceiling level because the stock price cannot fall below zero. A short seller has to undertake to pay the earnings on the borrowed securities as long as he chooses to keep his short position open. If the company declares huge dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Any such occurrence can skew the entire short investment and make it unprofitable. The broker can use the funds in the short seller's margin account to buy back his loaned shares or issue a 'call away' to get the short seller to return the borrowed securities. If the broker makes this call when the stock price is much higher than the price at the time of the short sale, then the investor can end up making huge losses.

Margin: Buying on margin means borrowing money from a broker to purchase stock. Margin trading allows you to buy more stock than you'd be able to normally. An initial investment of at least \$2,000 is required for a margin account, though some brokerages require more. This deposit is known as the minimum margin. Once

the account is opened and operational, you can borrow up to 50% of the purchase price of a stock. This portion of the purchase price that you deposit is known as the initial margin. Some brokerages require you to deposit more than 50% of the purchase price. Not all stocks qualify to be bought on margin. When you sell the stock in a margin account, the proceeds go to your broker against the repayment of the loan until it is fully paid. There is also a restriction called the maintenance margin, which is the minimum account balance you must maintain before your broker will force you to deposit more funds or sell stock to pay down your loan. When this happens, it's known as a margin call. If for any reason you do not meet a margin call, the brokerage has the right to sell your securities to increase your account equity until you are above the maintenance margin. Additionally, your broker may not be required to consult you before selling. Under most margin agreements, a firm can sell your securities without waiting for you to meet the margin call and you can't control which stock is sold to cover the margin call. You also have to pay the interest on your loan. The interest charges are applied to your account unless you decide to make payments. Over time, your debt level increases as interest charges accrue against you. As debt increases, the interest charges increase, and so on. Therefore, buying on margin is mainly used for short-term investments. The longer you hold an investment, the greater the return that is needed to break even. In volatile markets, prices can fall very quickly. You can lose more money than you have invested.

Options: Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Selling options is more complicated and can be even riskier.

The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk unlimited losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
- Writers of call options can lose more money than a short seller of that stock on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be

performed by the writer of those options.

- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include: market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks as stock options are a derivative of stocks.

Disciplinary Information

Form ADV Part 2A, Item 9

Hermening Advisory Services, LLC has been registered and providing investment advisory services since 2006. Neither our firm nor any of our Management Persons has any reportable disciplinary information.

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

Registrations with Broker-Dealer

Persons providing investment advice on behalf of our firm are registered representatives with FASI, a securities broker-dealer, and a member of FINRA and SIPC.

Arrangements with Affiliated Entities

Persons providing investment advice on behalf of our firm may be licensed as insurance agents.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Form ADV Part 2A, Item 11

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our procedures. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their

personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

Participation or Interest in Client Transactions

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

Brokerage Practices

Form ADV Part 2A, Item 12

We recommend the brokerage and custodial services of FASI, a securities broker-dealer and a member of FINRA and SIPC. We believe that FASI provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by FASI including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services FASI provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

For the Asset Management Program, clients are required to use FASI and Pershing to effect transactions in their accounts and to maintain custody of their securities positions. If the client implements recommendations made by HAS by purchasing securities or other products through FASI, its IARs may receive additional compensation in the form of commissions, including 12b-1 fees for the sale of investment company products.

Research and Other Soft Dollar Benefits

We do not receive any soft dollar benefits from any broker-dealer.

Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

Directed Brokerage

We routinely recommend that you direct our firm to execute transactions through FASI. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

For the Asset Management Program, clients are required to use FASI and Pershing to effect transactions in their accounts and to maintain custody of their securities positions. If the client implements recommendations made by

HAS by purchasing securities or other products through FASI, its IARs may receive additional compensation in the form of commissions, including 12b-1 fees for the sale of investment company products.

Persons providing investment advice on behalf of our firm who are registered representatives of FASI will recommend FASI to you for brokerage services. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from FASI unless FASI provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through FASI. It may be the case that FASI charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through FASI, these individuals (in their separate capacities as registered representatives of FASI) may earn commission-based compensation as result of placing the recommended securities transactions through FASI. This practice presents a conflict of interest because these registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However, if you do not use FASI, we may not be able to accept your account. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

Block Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Review of Accounts

Form ADV Part 2A, Item 13

If you participate in the Product Program and/or the Asset Management Program, IARs may meet with you annually, semi-annually, quarterly, or monthly, depending on your needs. A review will be performed of your account holdings, objectives, changes to your financial circumstances, and any other relevant issue pertaining to your account(s). Triggering factors that may stimulate an additional account review include, but are not limited to, changes in economic conditions, changes in your financial situation or investment objectives, large deposits or withdrawals from the account, and/or your request for an additional review.

Product Program clients will receive a quarterly statement and transaction confirmations from the custodian as well as periodic HAS reports showing the investment performance of their account (reported on a "net of fees" basis).

For the Asset Management Program, you will receive a quarterly statement from Pershing, the clearing firm of FASI. This statement will show total portfolio value, change in portfolio value during the prior month, the securities holdings, and detailed activity in the account. You will also receive transaction confirmations on all transactions in your account on a trade-by-trade basis as well as periodic HAS reports showing the investment performance of your account (reported on a "net of fees" basis).

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

As disclosed under the "Fees and Compensation" section in this brochure, persons providing investment advice on behalf of our firm may be licensed insurance agents, and are registered representatives with FASI, a securities broker-dealer, and a member of the FINRA and SIPC. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

Custody

Form ADV Part 2A, Item 15

As paying agent for our firm, your independent custodian may directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fee deducted from your account.

You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

Investment Discretion

Form ADV Part 2A, Item 16

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advise provided by our firm on a non-discretionary basis.

Voting Client Securities

Form ADV Part 2A, Item 17

Proxy Voting

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

Financial Information

Form ADV Part 2A, Item 18

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$500 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

Requirements for State-Registered Advisers

Form ADV Part 2A, Item 19

Neither our firm, nor any of our Associated Persons are compensated for advisory services with performance-based fees. Please refer to the "Performance-Based Fees and Side-By-Side Management" section above for additional information on this topic.

Neither our firm, nor any of our Associated Persons have a material relationship or arrangement with any issuer of securities.

Refer to the Part(s) 2B for background information about management personnel and those giving advice on behalf of our firm.

Additional Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as

permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

**Hermening Advisory Services LLC
WRAP FEE PROGRAM BROCHURE**

**FORM ADV PART 2A
APPENDIX 1**

Hermening Advisory Services LLC
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Wausau, WI 54403

Telephone: (715) 842-1916

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www.hermeningfinancialgroup.com

3/13/2011

This brochure provides information about the wrap fee program offered by Hermening Advisory Services LLC. If you have any questions about the contents of this brochure, please contact us at (715) 842-1916 or via e-mail at kevinh@hermeningfinancialgroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about Hermening Advisory Services LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Hermening Advisory Services LLC is 134927.

Hermening Advisory Services LLC is a registered investment adviser. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Summary of Material Changes

This brochure 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. Beyond the change in format, and the new information, we have not made any material changes to this brochure since our last annual update.

**FORM ADV Part 2A
APPENDIX 1**

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Services, Fees and Compensation

Hermening Advisory Services, LLC is a registered investment adviser primarily based in Wausau, Wisconsin. We organized as a limited liability company under the laws of the State of Wisconsin in 2005. We have been providing investment advisory services since 2006. Kevin J. Hermening is our principal owner.

As used in this brochure, the words “we”, “our” and “us” refer to Hermening Advisory Services LLC and the words “you”, “your” and “client” refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person or Investment Adviser Representative throughout this brochure. As used in this brochure, our Associated Persons or Investment Adviser Representatives are our firm’s officers, employees, and all individuals providing investment advice on behalf of our firm.

We offer discretionary asset management services through a wrap-fee program (“Program”) as described in this wrap fee program brochure to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. We are both the sponsor and portfolio manager for the Program. A wrap-fee program is a type of investment program that provides clients with asset management and brokerage services for one all-inclusive fee. If you participate in our wrap fee program, you will pay our firm a single fee and you will not pay separate transaction charges imposed by the custodian of your account as we will absorb those charges.

Prior to becoming a client under the Program, you will be required to enter into a separate written agreement with us that sets forth the terms and conditions of the engagement and describes the scope of the services to be provided, and the fees to be paid.

Client Investment Process

Our investment advice in the Program is tailored to meet our clients’ needs and investment objectives. At the beginning of our relationship, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the “suitability information”). We will use the suitability information we gather from our meeting to develop a strategy that enables our firm to give you continuous and focused investment advice and to make investments on your behalf. As part of our asset management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives and/or we may also invest your assets according to one or more model portfolios developed by our firm. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio’s performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

Under the Program, you will grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms.

Transactions for your account must be executed by First Allied Securities, Inc. (“FASI”), an unaffiliated securities broker-dealer, member of Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (“SIPC”). FASI uses Pershing, LLC as the clearing firm for your accounts. To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and the brokerage commissions charged by FASI or other broker-dealers, and the advisory fees charged by investment advisers.

Management Styles for the Program

Momentum Aggressive Growth – Objective: To achieve maximum capital appreciation, with allocations heavily weighted in those asset classes which have been determined to have the best potential for gain. This management style has no restrictions on the percentage of assets that may be invested in any particular holding, though it is expected that this portfolio will hold no fewer than three positions. Trading is more frequent, with portfolio positions reallocated and rebalanced in an attempt to achieve maximum capital appreciation. This portfolio is best suited for investors with an investment time horizon of greater than 10 years. This investment strategy makes regular use of leveraged investment options (those funds that use options and futures strategies). Benchmark Composite: 80% Nasdaq 100 Index, 20% MSCI EAFE.

Strategic Aggressive Growth – Objective: To achieve above-average capital appreciation, with allocations heavily weighted in those asset classes which have been determined to have the best potential for gain. This management style has no restrictions on the percentage of assets that may be invested in any particular holding. This investment strategy prohibits the use of leveraged investment options. Benchmark Composite: 40% Nasdaq 100 Index, 20% MSCI EAFE, 15% S&P500, 25% Russell 2000.

Equity Growth (Individual Stocks) – Objective: To achieve above-average capital appreciation, with an emphasis on only the largest, most-traded stocks in the investment universe. Investors selecting this style should have an investment time horizon of greater than five years. There is not a specific focus on asset classes, but rather those stocks likely to outperform a blend of the market indices. This investment strategy prohibits the use of leveraged investment options. This portfolio is only designed for portfolios larger than \$500,000 (smaller accounts will be accepted, but the costs of trading in a stock-only account may make it impractical). Benchmark Composite: 25% Nasdaq 100 Index, 25% MSCI EAFE, 25% S&P500, 25% Russell 2000.

Momentum Growth – Objective: To achieve above-average capital appreciation, with allocations heavily weighted in those asset classes which have been determined to have the best potential for gain. This investment strategy makes regular use of leveraged investment options (those funds that use options and futures strategies), but limits their use to not more than 60% of the total portfolio. This management style seeks to provide above-average returns relative to the S&P500 index. Investment into at least three positions is required. Because of the long-term superior performance of international markets, regular use of international and/or global positions should be expected. Benchmark Composite: 25% Nasdaq 100 Index, 20% MSCI EAFE, 30% S&P500, 25% Russell 2000.

Strategic Growth – Objective: To achieve above-average capital appreciation, with allocations heavily weighted in those asset classes which have been determined to have the best potential for gain. The style restricts the use of Gold and Natural Resource positions (according to Morningstar®) to not more than 50% of the total portfolio. This management style seeks to provide above-average returns relative to the S&P500 index with an emphasis on reducing principal loss during periods of negative market performance. Investment into at least three positions is required. This investment strategy prohibits the use of leveraged investment options. Because of the long-term superior performance of international markets, regular use of international and/or global positions should be expected. Benchmark Composite: 20% Nasdaq 100 Index, 20% MSCI EAFE, 35% S&P500, 25% Russell 2000.

Sector Momentum Growth – Objective: To achieve above-average capital appreciation, with allocations to the best-performing sector mutual funds or ETFs, as measured by the performance of each holding relative to other sector options available. This investment strategy prohibits the use of leveraged investment options. Benchmark Composite: 33% Financial Select Sector SPDR, 34% Health Care Select Sector SPDR, 33% Technology Select Sector SPDR.

Moderate Balanced – Objective: To achieve above-average returns relative to the Lehman Brothers Long-Term Government Bond Index (as measured in the WSJ daily). This can be accomplished by fully utilizing equity investment selections balanced with money market portfolio options or intermediate-term bond positions. The overall portfolio mix is required to have a “beta” (a measure of volatility compared with the S&P500 index) of not more than 0.90 (using the beta of the 1.00 for the S&P500). This investment strategy prohibits the use of leveraged investment options. Benchmark Composite: 15% MSCI EAFE, 75% S&P500, 10% Lehman Brothers Long-Term Government Bond Index.

Principal Protection-Focused Conservative – Objective: To achieve above-average returns relative to the Lehman Brothers Long-Term Government Bond Index (as measured in the WSJ daily). This can be accomplished by utilizing limited equity investment selections balanced with money market portfolio options or intermediate-term bond positions, if necessary. The overall portfolio mix is required to have a “beta” (a measure of volatility compared with the S&P500 index) of not more than 0.60 (using the beta of the 1.00 for the S&P500). This investment strategy prohibits the use of leveraged investment options. Benchmark Composite: 15% MSCI EAFE, 50% S&P500, 35% Lehman Brothers Long-Term Government Bond Index.

The Program Fee

We charge an annual “wrap-fee” for participation in the Program based on the following fee schedule:

| Account Valuation | <u>Maximum</u> Household Annualized Fee Rate |
|--------------------------|---|
| Up to \$250,000 | 1.80% |
| \$250,000 - \$500,000 | 1.50% |
| \$500,000 - \$1 million | 1.20% |
| Greater than \$1 million | 0.90% |

You are not charged separate fees for the different components of the services provided by the Program. Our firm pays all trade expenses of trades placed on your behalf. This includes SEC charges, brokerage commissions, and custodial expenses and fees. It also includes annual IRA custodial charges. Additional management fees will not be charged for additional deposits made to your account in the prior quarter; conversely, no credit will be applied when a withdrawal is taken from your managed account.

The annual fee for Program is billed quarterly in arrears based on the market value of the assets on the last day of the preceding quarter. If the wrap fee program agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from the investment account. Written authorization is required for fees to be paid directly from an alternate investment account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian please call our main office number located on the cover page of this brochure.

Termination of Advisory Relationship

Either party to the wrap fee program agreement may terminate the agreement within five days from the date of acceptance without penalty to you. After the five-day period, either party may terminate the wrap

fee program agreement via written notice to the other party. The wrap fees will be prorated for the quarter in which the termination notice is given and any unpaid fees will be due immediately. Refunds are not applicable since fees are paid in arrears.

Upon termination of accounts held at Pershing, they will deliver securities and funds held in the account per your instructions unless you request that the account be liquidated. After the wrap fee program agreement has been terminated, transactions are processed at the prevailing brokerage rates/fees.

Wrap Fee Program Disclosures

- You should be aware that participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately and/or from other advisers or broker-dealers.
- Our firm and associated persons receive compensation as a result of your participation in the wrap-fee program. This compensation may be more than the amount our firm or our associated persons would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because our firm and our associated persons may have a financial incentive to recommend the Program.
- The Program may create a potential conflict of interest between you and our firm. You should be aware that we may have a disincentive to purchase or sell securities in your account because we pay the transaction costs associated with trades directed to the custodian.

Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses.

There may be other costs which are not included in the Program fee, such as national securities exchange fees; charges for transactions not executed through Pershing, costs associated with exchanging currencies; wire transfer fees; or other fees required by law. Typically, we will offset our advisory fee in the amount of such fees if such fees are charged to your account.

Account Requirements and Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your Account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.

In general, we require a minimum of \$50,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for related accounts to meet the stated minimum.

Portfolio Manager Selection and Evaluation

Performance-Based Fees and Side-by-Side Management

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the "Services, Fees and Compensation" section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Our Methods of Analysis and Investment Strategies

Please refer to the *Services, Fees and Compensation* section above for a detailed discussion of the various investment strategies associated with the Program.

Certain strategies employed by our firm may incur more risk than others may incur. You are encouraged to evaluate the risk involved with these specific strategies with your Advisory Representative prior making any investment in order to ensure that your goals, objectives, and financial situation are such that you can bear the risks inherent in these investment strategies.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Specific Strategy Risks

Certain strategies employed by the firm may incur more risk than others may incur. The risk involved with these specific strategies should be evaluated by the client and the IAR prior to any investment being made in order to ensure that the client's goals, objectives, and financial situation is such that he or she is able to bear the risks inherent to these investments.

Certain investment strategies may utilize a concentrated investment strategy. Concentrated portfolios generally hold the securities of a limited number of companies and, therefore, may be more volatile because the risk specific to each company may represent a larger portion of assets. It is likely that the performance of these portfolios will differ significantly from that of the broad equity market.

We do not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that it may use, or the success of its overall management of the account. You understand that the investment decisions we make for the account are subject to various market, currency, economic, political and business risks, and that investment decisions will not

always be profitable.

Risk of Loss

Certain strategies we use have more risk than other strategies. The risk involved with these specific strategies should be evaluated prior to any investment being made in order to ensure that your goals, objectives, and financial situation is such that you are able to bear the risks inherent to these investments.

Certain investment strategies may utilize a concentrated investment strategy. Concentrated portfolios generally hold the securities of a limited number of companies and, therefore, may be more volatile because the risk specific to each company may represent a larger portion of assets. It is likely that the performance of these portfolios will differ significantly from that of the broad equity market.

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this Brochure, we primarily recommend equities, mutual funds and exchange traded funds, however we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Equities: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual Funds and Exchange Traded Funds: Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely.

Proxy Voting

We will not vote proxies on behalf of our advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common

stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

Client Information Provided to Portfolio Managers

This section does not apply to our firm because we are the sponsor and portfolio manager to the Program.

Client Contact with Portfolio Managers

This section does not apply to our firm because we are the sponsor and the portfolio manager to the Program.

Additional Information

Disciplinary Information

Neither our firm nor our principal owners or management persons have any reportable disciplinary information.

Other Financial Industry Activities and Affiliations

Persons providing investment advice on behalf of our firm are also registered representatives with FASI. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees, for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate from our advisory fees. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section of our ADV Part 2A brochure.

Persons providing investment advice on behalf of our firm are licensed as insurance agents. These

persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section of our ADV Part 2A brochure.

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available upon request. To obtain a copy of our Code of Ethics, contact us at the telephone number or email address listed on the cover page of this brochure.

Participation or Interest in Client Transactions

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities. Under certain circumstances, exceptions to the trading policy may be made.

In the case of mutual funds, we believe that effecting transactions in funds recommended to you cannot conflict with your interest in the same funds because open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, our personal transactions in mutual funds are not likely to have an impact on the prices of the fund shares in which you invest.

Reviews of Accounts

If you participate in the Program, your assigned Investment Adviser Representative may meet with you annually, semi-annually, quarterly, or monthly, depending on your needs. A review will be performed of your account holdings, objectives, changes to your financial circumstances, and any other relevant issue pertaining to your account(s). Triggering factors that may stimulate an additional account review include, but are not limited to, changes in economic conditions, changes in your financial situation or investment objectives, large deposits or withdrawals from the account, and/or your request for an additional review.

You will receive a quarterly statement from Pershing, the clearing firm for FASI. This statement will show total portfolio value, change in portfolio value during the prior period, the securities holdings, and detailed activity in the account. You will also receive transaction confirmations on all transactions in your account on a trade-by-trade basis as well as periodic reports from our firm showing the investment performance of your account (reported on a "net of fees" basis).

Client Referrals and Other Compensation

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

As disclosed previously, persons providing investment advice on behalf of our firm are registered representatives with FASI and may also be licensed insurance agents,. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section of our ADV Part 2A brochure.

Brokerage Practices

We utilize the brokerage and custodial services of FASI, a securities broker-dealer and a member of the FINRA and SIPC. We believe that FASI provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by FASI, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services FASI provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

Block Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$500 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.