

Portfolio Resources Advisor Group, Inc.

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March 23, 2012

Brochure

This Brochure provides information about the qualifications and business practices of Portfolio Resources Advisor Group, Inc. If you have any questions about the contents of this Brochure, please contact us at (305) 372-0299. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Portfolio Resources Advisor Group, Inc. is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. This Brochure is intended, in part, to provide information that can be used to make a determination to hire or retain an Adviser.

Additional information about Portfolio Resources Advisor Group, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

There are no material changes since our last brochure dated November 2, 2011.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Our Brochure may be requested by contacting us at our main number above.

Additional information about Portfolio Resources Advisor Group, Inc. is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site provides information about any persons affiliated with Portfolio Resources Advisor Group, Inc. who are registered, or are required to be registered, as investment adviser representatives of Portfolio Resources Advisor Group, Inc.

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Item 4 – Advisory Business

Portfolio Resources Advisor Group, Inc. ("PRAG") was established in April 2007 and approved as a Registered Investment Adviser in December 2007. Antonio Camejo is the President and a 30.8333% owner. Jose M. Maraver and Inversiones Sosabas, a foreign entity, are each 30.8333% owners of PRAG.

ADVISORY SERVICES – TYPES OF CLIENTS

PRAG provides investment advisory services and investment management services for private individuals, corporations, trusts, and institutional clients. PRAG utilizes various advisory programs offered through Portfolio Resources Group, Inc. (PRG), and/or through Envestnet Asset Management, Inc., an independent money management technology platform. PRAG also has sub-advisory agreements with First Affirmative Financial Network and other independent third party managers. PRAG is responsible for all advice, and suitability of such advice, regarding these accounts. A full description of the specific managers recommended to a particular client is provided in the PRAG Investment Management Agreement (IMA), the Envestnet Statement of Investment Selection (SIS) agreement, and/or through individual manager Form ADV. PRAG provides discretionary account management in which the client is provided with on-going investment advice and monitoring with respect to their securities holdings and will manage the account according to the client's objectives as outlined in an Investment Policy Statement or SIS. Custodians utilized for the programs below may include Pershing LLC., NFS, Schwab Institutional, TD Ameritrade Institutional, or any other custodian with whom PRAG may establish a relationship in the future.

Pershing LLC., and National Financial Services ("NFS") provide custody, transaction and banking services through PRAG's affiliated broker-dealer, Portfolio Resources Group, Inc. ("PRG"). NFS custody will be available until January 18, 2012 at which time Pershing LLC. will become PRG's sole clearing agent.

The firm presently offers the following types of advisory services:

- I. Managed Account Solutions (Wrap Fee Program)**
- II. Socially & Environmentally Responsible Investing (PRAG-SRI)**
- III. PRAG Investment Consulting (PRAG-IC)**
- IV. Financial Planning**

TYPES OF ADVISORY SERVICES (TYPES OF INVESTMENTS):

I. Managed Accounts Solutions (Wrap Fee Program)

The programs offered are typically through third party money manager platforms sponsored by Envestnet. PRAG will deliver Investment Management Agreement (IMA) Disclosure Documents or a Statement of Investment Selection (SIS) for details on fee structure and account services. These programs function under a "wrap-fee" billing program which means that there is one total fee covering the cost of the portfolio manager, platform fees, transaction (custodial) costs, and the advisor fee. There are no additional charges to the client other than the wrap-fee the client agrees to for the investment program selected, unless otherwise disclosed in the IMA and agreed to by the client. The custodian that executes transactions and holds securities, and the technology platform that provides performance reporting and other functions, may have minimum fees that can impact the asset-based fee (expressed in basis points or percentages) that is charged for a particular program. Minimum fees become effective if the account assets under management fall below the recommended minimum investment size. Minimum fees need to be considered when selecting an investment program. Depending on the amount of funds available for investment, minimum fees can raise the percentage cost of assets under management of a particular program. These programs are as follows:

- **Separately Managed Accounts (SMA):** In this program, assets are managed by institutional and/or independent money managers. This program includes Envestnet's manager due diligence (for "approved managers" only), assistance in evaluating separate account managers, and provides access to a range of managers and investment disciplines, including available managers not directly approved by Envestnet ("available managers"). The program also includes professional money management, performance reporting, and associated services and support.
- **Unified Managed Accounts (UMA) and Multi-Manager Account (MMA) Programs:** These programs combine multiple investment styles facilitating diversification within an individually managed account. The program includes professional money management, manager due diligence, and performance reporting. Additionally, the UMA and MMA may include Envestnet as overlay portfolio manager to manage the asset allocation of the account and coordinate trading across investment sleeves.
- **Third Party Strategist-ETF/Mutual Fund Wrap Program:** In this program, assets are allocated across a range of mutual funds. Clients may

select one or more asset allocation portfolio strategies consisting of either mutual funds or exchange-traded funds (ETFs). Accounts are managed on a discretionary basis. Envestnet develops the portfolio asset allocation, selects the underlying funds populating the respective model strategy and annually rebalances the client's account to the original allocation. This program offers investment strategies including, Aggressive Equity, Growth Equity, Balanced with Growth, Balanced, Equity Income and Income portfolios.

- **Advisor Directed Models/Representative as Portfolio Manager:** PRAG advisors are provided a set of tools to construct and manage model portfolios. This program allows selected financial advisors to manage client portfolios on a wrap-fee basis in accordance with client objectives. PRAG will enter into an Investment Management Agreement with the client, under which PRG and its clearing or custodial firm provide services in association with Envestnet.
- **Non-wrap-fee programs:** Non-wrap-fee programs are also available. In these programs, the custodial or transaction portion of the fees is charged on a transactional basis, rather than as a fixed cost based on assets under management. This approach may make sense for managing fixed income portfolios, for example, where the number of transactions are smaller in number than in an equity portfolio. These non-wrap-fee portfolios utilize custodians such as Pershing, NFS, Schwab Institutional, or TD Ameritrade Institutional to provide brokerage, custody and related services to client accounts. Custodians such as Schwab, TD Ameritrade, and/or Envestnet as technology platform, do not determine suitability of advice for any client. PRAG is responsible for all advice and suitability of such advice regarding these accounts. The Program may cost a client more or less than purchasing the services separately. Factors bearing on the relative cost of the Program that would be relevant when considering the alternative of purchasing the services offered in the Program separately include the trading activity in a client's account and the corresponding brokerage commissions that would be charged for execution of trades, and the fees charged for investment advisory services. Envestnet provides independent performance reporting and billing under this program.

II. Socially & Environmentally Responsible Investing (PRAG-SRI)

Portfolios managed under social, environmental, and sustainability criteria, such as the High Impact program, take into consideration the individual objectives of each client, but may or may not represent the overall objectives of the client's total investment assets. PRAG recommends and employs various investment strategies utilizing managers who either screen their investments, or base their entire investment approach on SRI and sustainability criteria. Managed accounts are designed to provide discretionary management by an Advisor Representative of the firm and/or SRI sub-managers. PRAG assists each PRAG-SRI account client in formulating investment objectives and manages the account within established guidelines regarding, among other matters, diversification and designation of securities that may be purchased. PRAG has a sub-advisory agreement with First Affirmative Financial Network (FAFN), a firm that specializes in SRI investing solutions. PRAG advisors have access to the strategies and managers under the FAFN network. Likewise, Envestnet makes available a wide selection of SRI management programs to PRAG advisors.

III. PRAG Investment Consulting (PRAG-IC)

Selected Registered Investment Advisors (RIAs) are evaluated by the firm for client use. PRAG-IC services may include assisting clients in identifying their investment objectives and matching personal and financial data with a select list of investment managers that meet the PRAG-IC minimum quantitative and qualitative criteria. The intent of the program is to have a selected list of high quality and recognizable independent investment management firms from which one or more managers are selected to handle the day-to-day management of client accounts.

Managers selected for use by clients under the PRAG-IC program need to meet several quantitative and qualitative criteria. Among the criteria that may be considered are the manager's experience, assets under management, performance record, client retention, the level of client services provided, investment style, buy and sell disciplines, capitalization level and the general investment process. Each advisor must have a client profile that outlines the client's stated objectives and risk tolerance.

When recommending outside investment managers, the firm first analyzes the client's existing portfolio, if applicable, to determine the investment style that will best facilitate the desired diversification of the portfolio. The firm then identifies strategies or managers who exhibit the desired investment attributes. The firm helps the client measure the performance of the managers by making comparisons to appropriate benchmarks. Depending on client objectives, the firm may advocate an active or passive investment strategy using a diversified approach.

The firm utilizes a team approach in designing and supervising client portfolios, including a strategic relationship with independent money management technology platforms such as Envestnet Asset Management Inc., a Registered Investment Adviser; and Portfolio Resources Group, Inc., Schwab Institutional, and TD Ameritrade Institutional, FINRA & SIPC member broker/dealers. The firm has access to independent consultants and financial publications to obtain information about

companies and managers. The firm also uses research materials prepared by others, academic studies, third-party databases, and other publicly available information. The Investment Committee reviews policies and strategies affecting client investments.

The firm may at any time terminate the relationship with an advisor that manages clients' assets. Factors involved in the termination of an advisor may include a failure to adhere to management style or clients' objectives, a material change in the professional staff of the advisor, unexplained poor performance, dispersion of client account performance, or the firm's decision to no longer include the advisor as one of its approved program managers.

IV. Financial Planning

Upon specific request by the client, the Firm may provide either financial consulting or a comprehensive financial plan tailored to meet the client's needs and investment objectives as described by the client. These services may include, but are not limited to the following: identification of financial goals, preparation of financial condition statements, stock option exercising strategies, cash flow, net worth, and income tax projections, insurance analysis, education funding options, retirement planning, retirement plan distribution strategies, estate tax analysis and planning, business planning, charitable planned giving, and asset allocation analysis. During meetings with the client the investment philosophy, risk tolerance and investment objectives are discussed.

When appropriate, the firm encourages clients to use the services of an estate attorney and makes clear that the firm does not render legal, accounting, or tax advice. The firm also will not advise the client or act for the client in any legal proceedings, including bankruptcies, involving securities held or previously held, or the issuers of those securities. The firm will not vote proxies for securities held in client accounts.

As of February 29, 2012, PRAG held \$51,315,810 in discretionary assets under management.

Item 5 - Fees and Compensation

The specific manner in which fees are charged by PRAG is established in a client's written agreement (IMA or SIS) with PRAG. Fees are based on the assets in the account per the fee schedule and, in some instances, may be negotiated.

Separate Account fees are charged quarterly in advance and calculated by dividing the annual percentage fee by 365 calendar days in a year, then multiplying the result by the number of days in the quarter and by the fair market value of the assets in the Account as of the last trading day of each calendar quarter. Fair market value of assets for this purpose is normally as reflected on the account statement as received from the custodian and/or as per Envestnet's daily reconciliation of account data that provides performance reporting and billing, although on occasion adjustments may be necessary to reflect such items as interest accrued but not yet paid. Securities for which fair market values are not readily available are valued in good faith by the custodian. Fees are paid to PRAG directly from the client's Separate Account. Fees are reflected on client statements in the month charged. In addition, the client's custodian sends to the client at least quarterly an account statement that reflects the activity in the account, including fee payments.

AUTOMATED REPORTING & BILLING SERVICES FEE SCHEDULE

Performance reporting and billing only, which includes Daily Web Views, daily reconciliation of account data, and Quarterly Consolidated Reporting, is provided by Envestnet Asset Management, Inc. according to the following schedule:

Account Value ¹	Program Fee ^{2,3}
First \$250,000	10 bps
Next \$250,000	10 bps
Next \$500,000	9.5 bps
Next \$1 million	7.5 bps
Next \$2 million	5.5 bps
Minimum Annual Account Fee:	\$75

MANAGEMENT FEE SCHEDULE

The management fee for accounts managed directly by individual advisor representatives (IARs) of the firm is according to the following schedule, not including billing and reporting, or custodial transaction costs:

Account Value ⁴	Program Fee ^{2,3}
First \$1,000,000	Up to 150 bps (1.50%)
Next \$4,000,000	Up to 125 bps (1.25%)
Above \$5 million	Fees are negotiable

Annual management wrap-fees for accounts utilizing firm sponsored or independent

¹Separate Account Assets in Client Account(s)

²All numbers represent basis points (bps) (1bps = 0.01%)

³All fees are charged quarterly in advance

⁴Sub-Management Assets per Sub-Management Client Account

third party managers in association with the firm's management platform will not exceed the following rates:

Fee Schedule:	
<u>Account Value</u>	<u>Annual Fee</u>
First \$500,000	2.75%
Next \$500,000	2.75%
Next \$4 million	2.25%
Above \$5 million	2.00%

Clients are advised and should understand that:

- A manager's past performance is no guarantee of future results;
- There is a certain market, interest rate, and political risk which may adversely affect any advisor's objectives and strategies, and could cause a loss in a client's account(s); and
- Client risk parameters or comparative index selections provided to the firm are guidelines only - there is no guarantee that index performance will be met or that risk parameters will not be exceeded.

All accounts are managed by selected independent or firm managers. Information collected by PRAG regarding selected managers is believed to be reliable and accurate but the firm does not independently review or verify it on all occasions. All performance reporting will be the responsibility of the respective managers and as provided by Investnet Asset Management Inc. Such performance reports will be provided directly to the clients and the firm. The firm does not audit nor verify that these results are calculated on a uniform or consistent basis as provided by a manager directly to the firm, or through the consulting service utilized by the manager or the firm.

Fees are outlined in each respective manager's Form ADV and Advisory Contract ("Investment Management Agreement" (IMA) or in the "Statement of Investment Solution" (SIS)). The firm will be paid an on-going fee based upon a percentage of each client's assets under management (AUM) with respect to each manager. Each client will receive a copy of such an advisory agreement that will disclose the fee. The firm negotiates each fee directly with the client. The firm has a potential conflict of interest in that its advisors could be motivated to recommend management styles and managers that would result in higher fees to the advisor and/or the firm. The firm will make all recommendations independent of such fee considerations. The firm's recommendations will be based solely on its fiduciary obligation to consider first and foremost a client's objectives and needs.

The minimum account size will vary from manager to manager. All such minimums will be disclosed in the respective manager's Form ADV. The firm may have the ability to negotiate such minimums. A client may terminate their relationship in accordance with the respective managers' disclosure documents. Pre-paid fees will be refunded in accordance with each respective manager's agreement and disclosure documents.

The custodian that executes transactions and holds securities, and the technology platform that provides performance reporting and other functions, may have minimum fees that can impact the asset-based fee (expressed in basis points or percentages) that is charged for a particular program. Minimum fees become effective if the account assets under management fall below the recommended minimum investment size. Minimum fees need to be considered when selecting an investment program. Depending on the amount of funds available for investment, minimum fees can raise the percentage cost of assets under management of a particular program.

FINANCIAL PLANNING FEES

Depending upon the scope of the engagement and specific requests by the client, the Firm may provide a written plan that reviews client's current situation and recommends an investment strategy consistent with the client's stated financial and personal goals. The firm may charge an hourly rate of \$175-\$350 per hour. The fees will be negotiated prior to contracting with the client, and the agreed upon fee will be payable upon completion of the services provided. Should a client be dissatisfied with the services rendered, the Firm may refund part or all of the fees paid, at management's sole discretion.

The Advisor may draft financial plans, investment policy statements, develop asset allocation guidelines and strategies, recommend money managers, provide performance measurement of money managers or recommend a manager. The Advisor may charge an hourly rate of up to \$350 per hour or may charge a per-project fee to be determined based upon the specifics of the project. The Advisor may charge an asset-based fee for its clients of up to 2.5% per year for ongoing performance measurement and other services. All fees will be disclosed to client in the "Investment Management Agreement" (IMA), the "Statement of Investment Solution" (SIS), and/or in the "Financial Planning Agreement" (FPA).

The fees are payable quarterly in advance. The advisory agreement (IMA, SIS, or FPA) between the Advisor and the client may be terminated by either party upon 30 days written notice. Advisory agreement termination will become effective on the month-end next following the expiration of the 30-day period after receipt of such notice of intent to terminate. Any unearned fees paid in advance will be refunded to the client on a pro-rata basis upon termination of such client's investment advisory agreement.

In the case of flat and hourly-based fees, 100% is payable upon completion of the services rendered. All fees are negotiable.

GENERAL ADVISORY FEES DISCLOSURE

Fees may be charged quarterly in advance as disclosed in the separate manager agreement. Fees charged by mutual funds are detailed in the prospectus. Although PRAG believes its fees are reasonable in light of the services provided, clients should be aware that such fees may be more or less than the fees and commissions associated with brokerage services purchased separately. The comparison is dependent upon a number of factors, including the frequency of brokerage activity in the client's account, the size of the account under management, and any negotiated fee arrangements with respect to the account. Future market conditions may affect the amount of trading, or lack thereof, during any investment period and therefore affect, after the fact, a fair comparison between PRAG management fees and the fees and commissions that could have been paid if purchased separately. An investor should consider these factors prior to opening an account.

ACCOUNT TERMINATION

Account agreements for Separate Accounts may be terminated by either party upon written notice without penalty. If a client terminates his participation in the Program within five business days of inception, the client will receive a full refund of the Fee, less any transaction or service fees that may have been incurred due to the purchasing of securities in the account. Fees will be prorated based on the number of days the Account is under PRAG's management for any Agreement that comes into effect or is terminated during a quarter. In addition to PRAG's management fee, clients with Separate Managed Accounts will also incur or bear other charges imposed by the custodian of their account, or by other third parties relating to their account or transactions effected in the account. Such charges may include, but not be limited to, brokerage commissions, ticket charges, wire transfer charges, custodial fees, activity fees, termination fees, postage and handling fees, and other transaction or account related fees and charges.

Upon written receipt of notice to terminate its Client Agreement with any of PRAG's investment advisory Programs, and unless specific transfer instructions are received, PRAG and its agents will, in an orderly and efficient manner, proceed with liquidation of the Client's account. There will not be a charge by PRAG for such redemption; however, the Client should be aware that certain mutual funds impose redemption fees as stated in each company's fund prospectus in certain circumstances. Also, maximum annual transactions permitted in a wrap-fee program may be exceeded if the investments in an account are liquidated in a particular month. In such cases, an extra "fee per transaction" will be charged, but only for those transactions that exceed the maximum yearly limit. Clients must also keep in mind that the decision to liquidate securities or mutual funds may result in tax consequences that should be discussed by the client with their own tax advisor.

Factors that may affect the orderly and efficient manner of liquidation would be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate client's investment advisory services, and communicate the instructions to client's Investment Advisor, termination orders received from clients are not market orders; it may take several business days under normal market conditions to process the client's request. During this time, the client's account is subject to market risk. PRAG and its agents are not responsible for market fluctuations of the client's account from time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner.

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

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

Item 7 – Types of Clients

PRAG provides investment supervisory and portfolio management services to individuals, trusts, estates, charitable organizations, corporations and business entities. The minimum account size is \$100,000. Under certain circumstances the minimum may be waived, including for related accounts that may be combined to meet the minimum.

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

Our investment strategy begins with an understanding of a client's requirements and financial goals. Advisors use demographic and financial information provided by the client to assess the client's risk profile and investment objectives in determining an appropriate plan for the client's assets. What are their basic investment objectives? What are their personal preferences with respect to risk-taking, yield, and personal values? How does their overall financial situation present itself? The answers to these fundamental questions provide the main building blocks for professionally managing client assets.

The next step of our process is to build the appropriate strategy based on individual client needs. This requires an assessment of market conditions and long-term financial market trends. The rigorous framework within which our investment process operates allows us to determine an asset allocation strategy and the weighting that should be

given to the various investment vehicles in a client portfolio. Investment recommendations are based on an analysis of the client's individual needs, and are drawn from research and analysis. Security analysis methods may include fundamental analysis, technical analysis, charting, and cyclical analysis. Information for this analysis may be drawn from financial newspapers and magazines, research materials prepared by others, annual reports, corporate filings, prospectuses, company press releases and corporate ratings services. Investment strategies ordinarily include long or short-term purchases of stock portfolios, mutual funds, and fixed income securities.

The weighting of the various asset categories that make up a portfolio is one of the most important factors in the successful implementation of any investment strategy. Spreading risk among various asset classes and investment vehicles is a classic way of increasing the security of a portfolio. The rule of thumb is that the overall risk of a portfolio is reduced as the number of different securities held in different asset classes in a given market is increased. We also attempt to avoid over-diversification, as spreading a portfolio too thin may actually dilute the value of diversification. Furthermore, diversification should not focus solely on holdings or managers that promise above-average potential gains; the stability of returns and the balanced nature of the portfolio are equally vital.

It is important to note that investing in securities involves a risk that clients should be prepared to bear. Though the goal of the firm is to find quality investments and proper allocation strategies, there is no guarantee that the goal will be met, and/or that the value of investor portfolios may not decline in value during any given time period. For any risks associated with Investment Company products, please refer to the prospectuses for additional details about these risks. Our investment approach constantly keeps the risk of loss in mind. These risks include, but are not limited to:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Political Risk:** Inflation is considered by many economists to be a strictly monetary phenomenon. Too much money chasing too few goods causes prices to go up. Governments may print money in an attempt to inflate their way out of the debt they have incurred through too much spending. Likewise, governments can enact legislation that restricts free markets and stifles economic growth.
- **Regulatory Risk:** Clients should not expect SRO's or government regulators to always be there to protect them against fraud or bad investments. It is a client's responsibility to carefully evaluate their investments and the risks associated, to regularly review their investment statements, and to ask questions if they don't understand an investment product or strategy. It is likewise recommended that clients carefully select an advisor based on reputation, knowledge, experience, and shared ethical values.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

PRAG is affiliated with Portfolio Resources Group, Inc. ("PRG"), a Miami-based FINRA, SIPC, MSRB, and SIFMA member broker/dealer. Some Associated persons of the firm conduct broker/dealer commission related business through PRG. In this capacity, some associated persons are involved in the sale of various types of securities,

including, but not limited to, stocks, fixed income, options, variable annuities, mutual funds, REITs, and managed futures. As a broker/dealer, PRG, its clearing firms and/or custodians may have trade errors that result in a profit or loss to them. Broker/dealers and custodians have controls in place to limit such trade errors and E&O insurance to cover losses. Such errors should not impact segregated client accounts.

Certain IARs are separately licensed as insurance agents/brokers for various independent insurance companies. These individuals may spend as much as 75% of their time with these aforementioned non-advisory activities. In their capacities as registered representatives or as independent insurance agents, clients will be charged separately from their advisory services.

Additionally, PRAG is affiliated with Capital Management Resources, Ltd., a British Virgin Islands money management firm that services non-U.S. clients. PRAG does not refer U.S. domestic clients to CMR.

PRAG may recommend that clients establish brokerage accounts with Portfolio Resources Group, Inc. with custody at Pershing or NFS. It may also recommend that clients open accounts at Schwab Institutional, TD Ameritrade Institutional or at other custodians with whom PRAG may have a relationship (collectively "the custodians") to maintain custody of clients' assets and to effect trades for their accounts. The custodians are FINRA registered broker-dealers, and members of SIPC. However, it is the client's decision to custody assets with a particular custodian. PRAG is independently owned and operated, and not affiliated with any custodian or clearing firm.

Item 12 includes additional details regarding brokerage practices and related disclosures.

Item 11 – Code of Ethics

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

PRAG advisors may buy or sell securities that are recommended to clients. PRAG's employees and persons associated with PRAG are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of PRAG and its affiliates may trade for their own accounts in securities that are recommended to and/or purchased for PRAG clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of PRAG will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of PRAG's clients. In addition, the Code requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between PRAG and its clients.

Block Trades: Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with PRAG's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive equity securities at a total average price. PRAG will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order. Fixed-income trades by related persons may be done at the same time as client trades as long as limited allocations are done on a pro-rata basis. Spreads may vary according to the allocation size.

The accounts of certain employees, or related persons, may be managed similarly to, or differently from, many client accounts. As a result, securities held in employee portfolios may be substantially the same as securities owned by clients of the firm. In any purchase or sale by the firm and/or employees of the firm, client transactions are completed prior to the initiation of any transaction for employees or related person accounts, or at the same time as those of clients. The latter case should occur only where the client is either not negatively impacted, or may actually be helped by achieving a better price or greater liquidity. Related persons or employees who are in model driven investment programs will be executed under equal conditions with clients. Employees or related persons are prohibited from trading ahead of clients in either buys or sells.

PRAG or its personnel may recommend to clients or effect transactions for client accounts in securities in which a director, officer or employee of PRAG, or another related person of PRAG, may also be invested. This poses a possible conflict of interest

to the extent that transactions in such securities on behalf of PRAG clients may advantage such related persons. However, PRAG and its personnel are constrained by fiduciary principles to act in their clients' best interests when managing their accounts. PRAG monitors activity in client accounts in an effort to ensure that transactions are appropriate and any such conflicts are resolved in a manner that is fair and equitable to clients.

Access persons are required to report their trading activities. Access persons, have restrictions on personal trading in securities in which the firm purchases for clients. The firm has adopted a Code of Ethics to govern the personal trading by such access persons. In addition, the firm has an Insider Trading Policy applicable to all its employees, which prohibits the use of material inside information in connection with personal transactions.

The Code of Ethics and trading policies are overseen by the Chief Compliance Officer, who is responsible for the review of such transactions. A copy of the firm's Code of Ethics is provided to all employees. The firm's Code emphasizes the firm's philosophy of honesty, integrity and professionalism, setting forth standards of conduct expected of the firm's personnel, promoting honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and promoting compliance with applicable government laws, rules and regulations. The firm's investment advisors are fiduciaries that have the responsibility to render professional, continuous, and unbiased investment advice to clients. Advisors owe clients a duty of care, loyalty, honesty and good faith, and fair dealing and must act at all times in the client's best interest. All personnel have the obligation to uphold this duty. A free copy of the firm's Code of Ethics is available to clients upon request.

PRAG's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Nancy Baquero at 305-372-0299 Extension 404 or at nbaquero@inres.net.

Item 12 – Brokerage Practices

Some Associated persons of the firm are registered as Investment Advisor Representatives with PRAG, and Registered Representatives with Portfolio Resources Group, Inc. In their capacity as Registered Representatives, they may recommend Broker/Dealer services to clients who have or are utilizing the firm's advisory services. The Firm's clients are free to implement advisory recommendations through other Broker/Dealers such as Schwab Institutional or TD Ameritrade Institutional. Clients are under no obligation to purchase or sell securities through PRG. However, if they choose to do so in a managed account, fees or transactions costs may be higher or lower than those rates found at other Broker/Dealers.

Certain PRAG personnel that are also Registered Representatives of Portfolio Resources Group Inc. ("PRG"), may be paid commissions, brokerage fees, 12b-1 fees or other fees or payments for their brokerage clients, which may include clients who are also clients of PRAG. These arrangements pose a possible conflict of interest for those individuals to the extent they have a financial incentive to recommend such sales or other transactions to the client. In addition, those PRAG personnel may receive, in their capacity as registered representatives, 12b-1 fees paid out by mutual funds in which pension plan assets are invested, in the case of certain pension plans for which pension consulting services are provided. This poses a conflict of interest to the extent those personnel have a financial incentive to recommend as investment alternatives to be offered under the plan funds that pay out 12b-1 fees. In addition to PRAG's management fee, clients with Separate Accounts will also incur or bear other charges imposed by the custodian of their account or by other third parties relating to their account or transactions effected in the account. Such charges may include, but not be limited to, brokerage commissions, ticket charges, wire transfer charges, custodial fees, activity fees, termination fees, postage and handling fees, and other transaction or account related fees and charges.

There may be situations where a portfolio manager who is also a Series 7 Registered Representative with PRG may be entitled to certain trailers or fees paid by a third party product provider. Transactions that are done solely as a Registered Representative and Insurance Broker are not in the capacity as investment advisor. This includes situations where commissions are paid rather than advisory fees, including private placements and insurance products. The possible receipt of such additional fees and/or compensation is hereby fully disclosed to clients to cover cases in which the Investment Management Agreement has not done so directly.

Advisors may suggest broker/dealer and/or insurance services to clients. Factors for such recommendation would be when transaction compensation is seen as a benefit to the client. For Broker/Dealer services, the Advisor or its associated persons may receive compensation for such transactions, where such compensation is separate and distinct from Advisor's compensation related to its investment advisory services. Commissions paid the Advisor for broker/dealer services may be higher or lower than those obtainable from other brokers in return for those products and services.

For PRAG client accounts maintained at various custodians, those custodians generally do not charge separately for custody services but rather are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the Clearing Firm or that settle into the Clearing Firm accounts. The Clearing Firm may make products and services available to PRAG that benefit PRAG but may not directly benefit its clients' accounts. Many of these

products and services are used to service all or a substantial number of PRAG accounts. Some of these products and services provided by the Clearing Firms includes software and other technology that (i) provides access to client account data (such as trade confirmations and account statements); (ii) facilitates trade execution and allocates aggregated trade orders for multiple client accounts; (iii) provides research, pricing and other market data; (iv) facilitates payment of PRAG fees from its clients' accounts; and (v) assists with back-office functions, recordkeeping and client reporting.

Item 13 – Review of Accounts

Investment Advisor Representatives are required to review all managed accounts on an annual basis or more frequently if warranted. PRAG requires that all client managed accounts be linked to Envestnet Asset Management, Inc. for purposes of billing and performance reporting, except in those cases where an independent manager is providing their own billing and performance reporting which has been approved by PRAG. This approach provides third party reporting of asset values independent of both the firm and the advisor representative, assuring clients of impartial portfolio valuations.

The Investment Committee is a consultative body that confers, from time to time, to analyze market conditions and discuss general investment ideas and/or review specific products that may be suitable for clients. Members of the committee are available to Investment Advisor representatives for consultations regarding individual client portfolios, or the suitability of specific products. The Committee recommends that Investment Advisor Representatives review the following with clients at least once a year: investment objectives, targeted allocation, current asset allocation, suitability, performance, number of trades, monthly distributions, concentrated positions, diversification, and outside holdings.

Following a supervisory review, a decision may be made as to the required frequency of subsequent reviews, such as either quarterly or semi-annually. Examples of situations that could warrant monthly account reviews include the following: performance that is not in line with the client's "downside risk tolerance"; change in investment objective; significant addition or withdrawal of capital from the account; current allocation and targeted allocation inconsistency; frequency of trades not in line with objectives and current account type; concentrated positions that could lead to volatility; important changes in market conditions; and notification of a material change in the client's financial status. The firm will only guarantee an annual review, unless quarterly or monthly reviews of account activity are requested in writing by the client. The firm will not be responsible for monthly reviews if the client does not request it. There may be additional charges for monthly performance reporting if requested by client.

With respect to all of the Programs, the firm or its agent will provide to each client quarterly portfolio performance reports of the client's account(s) which will include a review and evaluation of the client's portfolio in light of the client's investment goals and objectives. Each performance report will include a reminder to the client to contact the firm if there are any changes in the client's financial situation or other pertinent information, and will disclose the method by which the client may make such contact.

For all managed accounts, in addition to the portfolio performance reports as described herein, the firm, through its clearing broker/dealer or TAMP, will transmit to clients (and where appropriate to the applicable investment advisor) the following reports:

- Trade confirmations reflecting all transactions in securities;
- Monthly statements of client's account(s) itemizing all transactions in cash and securities, and all deposits and withdrawals of principal and income during the preceding calendar month; however, if there is no activity in such account, then quarterly statements will be provided in lieu of monthly reports; and
- Annual summary of transactions and dividend and interest statement.

Item 14 – Client Referrals and Other Compensation

PRAG does not compensate for third party client referrals.

Item 15 – Custody

Clients should receive statements at least quarterly from the qualified custodian that holds and maintains their investment assets. PRAG urges clients to carefully review such statements and compare the official custodial records to the account statements that PRAG may provide you. PRAG performance statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Generally, the firm and sub-managers have the authority to determine, without obtaining specific client consent, the securities bought or sold and the amount of securities bought or sold. The only restrictions on the above discretionary authority are those set by the client on a case-by-case basis. Where the manager has a direct contractual relationship with a client, the firm makes it a practice to counsel clients to determine if there are any limitations to the firm's discretionary authority on the above matters. Investment guidelines and restrictions must be provided to PRAG in writing.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, PRAG does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Proxies or other solicitations will be sent directly from the custodian or transfer agent to the client's address of record. Clients may contact PRAG if they have any questions relating to proxies, or to obtain the information.

Item 18 – Financial Information

Registered Investment Advisers are required to provide you with certain financial information or disclosures about PRAG's financial condition. PRAG has no financial obligations that impair its ability to meet contractual and fiduciary commitments to clients, and it has not been the subject of any bankruptcy proceeding.

Item 19 – Requirements for State-Registered Advisors

The following is the educational and business background of the officers of PRAG.

Antonio Camejo, born in 1942, is a Registered Representative (RR) of Portfolio Resources Group, Inc. since November 1992, President and Chair of the Investment Committee of Portfolio Resources Advisor Group (PRAG) since April 2007 and an Investment Advisor Representative (IAR) of Portfolio Resources Advisor Group since January 2008.

Business Experience:

Mr. Camejo has been a registered representative since April 1987. From 1987 to 1991 he was an Associate Vice President at Prudential-Bache Securities, Inc. where he was a registered representative and also served as an advisor to the Investment Banking Division. From February 1991 to September 1991 he was Director of International Investments at Progressive Asset Management, Inc., Oakland, California, a firm specializing in Socially and Environmentally Responsible Investing. From August 1991 to the present he has been a shareholder and director of the Portfolio Resources group of companies of which he is currently Co-Chair. From 1992 to 1998 he served as an outside advisor to the Paine Webber Municipal Airport Finance Group. From June 2005 to December 2008 he was Director of America Israel Investment Associates, LLC. Since October 1996 he has been a Managing Director and Co-Chair of the Investment Committee at Capital Management Resources Ltd., Tortola, BVI.

Educational Background:

Mr. Camejo earned a B.A. degree in Philosophy (major) and Economics (minor) in 1964 from Tufts University, Medford, MA. From 1965 to 1966 he attended Graduate Studies at Boston University in Philosophy and Pedagogy. In 1968, he helped found the first bilingual program in the California Public School System, and in 1969 co-founded and served as instructor in the Latin & Mexican-American Studies Department at Merritt College, California.

Media and Professional Activities:

Mr. Camejo has appeared on numerous occasions on 'CNN en Español' as a guest on financial news programs such as "Nuestro Mundo" and "Dinero." He has also been interviewed in financial publications such as Financial Advisor Magazine. Mr. Camejo is Member of the Envestnet Alliance Council in Chicago, Illinois since July 2008. From 1987 to 1989 he served as Special Advisor to the Secretary of Commerce of the State of Florida as a VOICE Member.

Professional Designations and Licenses:

Mr. Camejo has a Series 7 Securities License (General Securities Representative Examination) since April 1987, a Series 63 (Uniform Securities Agent State Law Examination) since May 1987, a Series 24 (General Securities Principal) since March 1994, a Series 66 (Uniform Combined State Law Examination) since March 2005, an Investment Banking Representative License since May 2010 and an Operations Professional License since November 2011.

Juan Ignacio Sosa, born in 1955, has been Co-Chair of the Investment Committee and Director and Vice-president of Portfolio Resources Advisor Group (PRAG) since June 2007.

Business Experience:

Mr. Sosa has been a registered representative since March 2001. From February 1995 to the present he has been a director of the Portfolio Resources group of companies of which he is currently Co-Chair, General Principal and COO. Since October 1996 he has been a Managing Director and Co-Chair of the Investment Committee at Capital Management Resources Ltd., Tortola, BVI. From 1987 to 1994 he was Director and Vice-president, Fixed Income trader and administrator, of Incambios Valores Casa de Bolsa, a Venezuelan Broker Dealer and Member of the Caracas Stock Exchange. From 1992 to 1995, Mr. Sosa was Director of Inversiones Finalven, SA, a Venezuelan investment bank. From 1994 to 1997, he was Director of Sociedad Financiera FIVENEZ, a Venezuelan investment bank. From 1994 to 2001 he was President of PAR-B Mercado de Capitales SA, a Venezuelan Securities Broker Dealer, trading fixed income, emerging markets, equities and FX in local market. From 1999 to 2002, he was Director of Caja Venezolana de Valores, a Venezuelan securities clearing house. From 2000 to 2001 he was Director of Casa Propia EAP, a Venezuelan regional bank.

Educational Background:

Mr. Sosa earned a B.S. degree in Mechanical Engineering in 1981 from Boston University. In 1983, he earned a MBA degree from Boston College.

Media and Other Professional Activities:

Mr. Sosa has appeared on numerous occasions on 'CNN en Español' as a guest on financial news programs such as "Nuestro Mundo" and "Dinero." Mr. Sosa has also been President of Inversiones Sosabas, a private Venezuelan corporation, and Partner of Sosabas USA. He has also been a Director of Investment Resources International, a Florida Corporation and Portfolio Resources Group affiliate providing administrative services. From 1987 to 1990 he was Director of CA Cervecería Nacional, the Venezuelan 2nd largest brewery. From 1999 to 2001 he was Director of Factor AG, a Venezuelan financial factoring and securitization corporation. Since February 1994 he has been a Director of Venequip, SA (Venezuela), Venequip Machinery Sales Corp. (VMSC-USA), Venequip N.V. (Curacao), Venequip Machinery Sales Curacao (VMSC Curacao), caterpillar dealers for Venezuela and the Netherlands Antilles.

Professional Designations and Licenses:

Mr. Sosa has a Series 7 Securities License (General Securities Representative Examination) since March 2001, a Series 24 (General Securities Principal) since February 2007, an Investment Banking Representative License since May 2010 and an Operations Professional License since October 2011. Mr. Sosa has also a Life, Health and Variable Annuities Insurance License from the State of Florida since January 2009.

Privacy Policy

PRAG collects nonpublic personal information about you from the following sources: Information we receive on applications, questionnaires, web site, or other forms and information about your transactions with our affiliates, others, or us. We do not disclose any non-public information about our current or former customers to anyone, except as permitted by law or in order to provide the current services. Our employees have limited access to your personal information based on their responsibilities to provide products or services to you. Be assured that we maintain physical, electronic and procedural safeguards in compliance with federal standards to protect your information.