

Part 2A of Form ADV: *Firm Brochure*

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This brochure provides information about the qualifications and business practices of Leonetti & Associates, LLC. If you have any questions about the contents of this brochure, please contact us at 847-520-0999 or jobrien@leonettiassoc.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Leonetti & Associates, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 146851.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/29/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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

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Item 4 Advisory Business

Leonetti & Associates, LLC is a SEC-registered investment adviser with its principal place of business located in Buffalo Grove, Illinois. Registration of an investment adviser does not imply any level of skill or training. We began conducting business in 1982.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Sanders Morris Harris Group Inc., Member
- Leonetti & Associates, Inc., Member

In addition, the following information identifies individuals that indirectly own 25% or more of our firm:

- Michael Edward Leonetti, Chief Executive Officer and Manager

Leonetti & Associates, LLC offers the following investment advisory and related wealth management services to our clients:

INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT

Our firm offers to provide continuous advice to a client regarding the investment and reinvestment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we help develop a client's personal investment policy and create and manage a portfolio based on that written policy statement and an investment management agreement.

During our data-gathering process, we offer to assist the client in identifying the client's individual objectives, time horizons, risk tolerance and liquidity needs. As appropriate, we also offer to review and discuss a client's prior investment history, current financial situation, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated investment policy objectives (i.e., Equity, Fixed-Income or Balanced), and completed client profile and questionnaire. We use public and commercially available sources of information we believe to be accurate and reliable.

Client accounts will receive reports as contracted for at the inception of the advisory engagement.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by

a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

FINANCIAL PLANNING

We offer to provide financial planning services to our clients seeking professional assistance with the management of their financial affairs. Financial planning is an evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service normally receive a written report which provides the client with a financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.

- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, that may include a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, or other professional. Implementation of financial plan recommendations is entirely at the client's discretion.

Our investment recommendations will generally include financial planning advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in real estate

- Interests in partnerships investing in oil and gas interests

We also offer to provide general non-securities advice on topics that may include insurance, stock options, estate planning, business planning, tax and budgetary planning.

Typically, the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

INVESTMENT SUPERVISORY SERVICES ASSET ALLOCATION SERVICES

Our firm offers to provide asset allocation services to clients. Our Strategic and Tactical Asset Realignment ("STAR") program is designed to diversify investment assets among various financial asset classes such as growth and value U.S. equities, international securities, fixed-income bonds, real estate and commodities.

The service normally includes a review of a client's current asset allocation, analysis of their risk profile, monitoring of portfolio holdings and periodic realignment of client assets. Through personal discussions with the client in which goals and objectives are established, we manage a portfolio based on a client's written investment policy statement and an asset allocation agreement.

We design client portfolios that primarily consist of "no-load" or "load-waived" mutual fund shares, bonds and equity securities. We generally seek to diversify and periodically realign portfolios in an effort to meet a particular investment goal.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated investment policy objectives (i.e., Equity, Fixed-Income or Balanced), and completed client profile and questionnaire, as well as tax considerations. We use public and commercially available sources of information we believe to be accurate and reliable.

Client accounts will receive reports as contracted for at the inception of the advisory engagement.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities

- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

ADVISORY REFERRAL SERVICES

WFG Advisors, LP acts as a solicitor on behalf of various independent registered investment advisers, including Leonetti & Associates, LLC. Based on a client's individual circumstances and needs, they will assist the client in determining if our individual portfolio management services are appropriate for that client. Factors considered in making this determination, including account size, risk tolerance, and a client's investment experience, are discussed during the solicitor's consultation with the client.

Leonetti & Associates, LLC will offer to review the account with the client and/or solicitor on a regular basis, or as determined by the client, to effectively address each client's goals. We will, when needed, recommend changes in the client's portfolio ("rebalancing"), to more effectively address each client's goals. We will then instruct the solicitor to make any or all of the changes we recommended. These recommendations are our own, and are neither recommended nor approved by any solicitor.

Any rebalancing of the portfolio is done with the solicitor's approval, and will be reviewed and implemented by the independent solicitor. At the time of conducting the advisory solicitation, Leonetti & Associates, LLC and WFG Advisors, LP will ensure that all federal and/or state specific requirements governing solicitation activities are met.

CONSULTING SERVICES

Clients can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as insurance, estate planning, retirement planning, financial independence analysis or any other specific topic. We also offer to provide specific consultation and administrative services regarding investment and financial concerns of the client.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

AMOUNT OF MANAGED ASSETS

As of 2/28/2011, we were actively managing \$453,869,855 of clients' assets on a discretionary basis.

Item 5 Fees and Compensation

Leonetti & Associates, LLC is a fee-only adviser. We offer advisory services to our clients for a fee based on a percentage of assets under management.

INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT AND ASSET ALLOCATION SERVICES FEES

Investment Management Fee Schedule					
Assets	First \$500,000	Next \$1,500,000	Next \$2,000,000	Next \$4,000,000	Over \$8,000,000
Equity or Balanced	1.25%	0.85%	0.60%	0.40%	0.25%
Fixed Income	0.70%	0.55%	0.40%	0.25%	0.10%

Investment management fees are negotiable for client relationships exceeding \$15 million. Related accounts may be aggregated for fee calculation purposes in certain situations.

The specific manner in which fees are charged is established in a client's written agreement with Leonetti & Associates, LLC. We generally bill our fees on a quarterly basis in advance according to the above basic fee schedule. Clients normally authorize us to directly debit fees from their accounts or they may elect to be billed directly for fees.

Fees are determined by computing the fair market value of a client account at the end of each quarter, multiplying by the percentage in the fee schedule and dividing the resulting

figure by four. Account values are based on the closing market price of all holdings in a client account (including income paid or accrued) that we determine on the last day of the three month billing cycle. Clients are responsible for verifying the accuracy of fee calculations.

Our fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses which will be incurred by a client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, transfer fees, wire transfer and electronic fund fees, as well as taxes on brokerage accounts and securities transactions.

Mutual funds and exchange traded products also charge internal management fees and expenses which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we will not receive any portion of these commissions, fees or costs. We will primarily recommend investments in "no-load" or "load-waived" mutual fund shares. Lower fees from comparable sources may be available from other sources.

Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information describing the factors that we consider in recommending broker dealers for client transactions and determining the reasonableness of their compensation.

ADVISORY REFERRAL SERVICES FEES

We do not enter into an advisory agreement with any client nor do we charge a fee to any client for referrals from another Adviser(s). Our fees for such referrals are paid by the referred Adviser(s) who shares with our firm a percentage of the fees received from the client. Client advisory fees are not increased in any way as a result of our referral of any clients to another Adviser(s). We typically receive 0.50% of the advisory management fee paid by the client to that Adviser.

Clients will receive a separate disclosure document describing the fee paid to us by such Adviser(s). Clients should refer to that Adviser's' disclosure document for information regarding its fees, billing practices, minimum required investments and termination of advisory agreements.

FINANCIAL PLANNING FEES

Leonetti & Associates, LLC is a fee-only financial planner. Our Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client. Fees are based on the estimated number of hours we anticipate will be needed to gather information, analyze the data and prepare a written financial plan. Fees normally range from \$1,500 to \$8,000 per plan.

Hourly fees for services are based on the fee schedule below and are billed at the end of each month services are performed. There are no provisions for refunds since fees are billed

in arrears of work performed. We usually require a \$200 minimum deposit prior to beginning any client planning work.

Retainers and other methods of payment may be arranged. An initial retainer fee of \$500 is required for clients that choose planning services on a retainer basis. The balance of fees are usually billed and payable each quarter for the remainder of the service period, typically a year.

CONSULTING SERVICES FEES

Leonetti & Associates, LLC's Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. Services for flat fee work are usually provided for a period of one year or less. All fees are agreed upon prior to entering into a contract with any client. Services provided on a flat fee basis are billed on a quarterly basis in advance. Upon termination of the consulting contract, any prepaid fees will be refunded on a prorated basis as earned and any fees due will become payable immediately.

Financial Consulting Fee Schedule	
Service Provider	Hourly Rate
Principal	\$450
Financial Planner	\$325
Planner Analyst	\$200
Paraplanner	\$125
Administrative	\$80

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of a written notice of termination. As disclosed above, certain fees are billed in advance of services provided. Accounts opened or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, prepaid fees will be promptly refunded, and any unpaid fees will be due and payable. In calculating a client's reimbursement of fees, we will pro rate the reimbursement

according to the number of calendar months remaining in the three month billing period.

Mutual Fund Fees: All fees paid to Leonetti & Associates, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Some mutual fund purchases and sales may incur a broker initiated transaction fee.

If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Wrap Fee Programs and Separately Managed Account Fees: Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement.

In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) for additional information.

Grandfathering of Minimum Account Requirements: Pre-existing advisory clients are subject to Leonetti & Associates, LLC's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients. We reserve the right to waive any minimum account requirements for a principal's family members or other considerations.

ERISA Accounts: Leonetti & Associates, LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Leonetti & Associates, LLC may only charge fees for

investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees. There will be no refund of fees previously paid or collected with respect to withdrawals of cash and/or securities.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

Leonetti & Associates, LLC does not charge 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

Leonetti & Associates, LLC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Corporations or other businesses not listed above

We require a minimum account size of \$200,000 for opening an Individual Portfolio Management account. Clients in our STAR program may be charged a minimum annual fee of \$850. Independent investment advisers used by clients may have program minimums for opening or maintaining an account.

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or

managing client assets:

Charting. In this type of technical analysis, we review charts of market and security activity in an attempt to identify what the market trend is, and to predict how long the trend may last and when that trend might reverse.

Fundamental Research. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental evaluation does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis. We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and to confirm the market direction.

Technical evaluation does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis. In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Quantitative Analysis. We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis. We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

Asset Allocation. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not

corrected, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis. We look at the experience and track record of the manager of the mutual fund in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

The **Equity** investment strategy combines the use of common stock, exchange traded products and cash equivalents. The amount invested in the stock market will vary as we increase or decrease the exposure to equities as determined by our interpretation of the direction or trend of the market. Client assets not invested in equities will be invested in money market mutual funds and/or cash equivalents.

Equity portfolios will generally include a mix of stocks and exchange traded products. Exchange traded products are designed to provide a liquid and diversified portfolio that is representative of an index or a sector. Exchange traded products provide our client portfolios the flexibility to have exposure to small, mid and large-capitalization stocks as well as an emphasis on growth and/or value investing. They are also designed to provide a liquid and diversified vehicle for investing in specific industry sectors.

Under normal market conditions, account portfolios will ordinarily be fully invested according to their equity investment strategy. In response to adverse market, economic or political conditions, we may temporarily depart from our principal equity investment strategy by

making short-term investments in cash equivalents, money market instruments and short-term debt securities.

Stock selection. We purchase equity securities from a universe of stocks that are maintained and evaluated from a fundamental basis. Typically we prefer to select companies that we believe are exhibiting attractive attributes in their underlying business such as:

- growth in revenue and earnings for the current quarter as well as on an annual basis
- leaders and/or a growing presence in their industry or niche
- potential new products or ideas that distinguishes them from other companies, and/or
- a future perceived to be brighter than the company's past.

Stock selection evaluation does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the stock market regardless of the economic and financial factors considered in evaluating the company stock.

Stocks in the client's portfolio may not increase their earnings or revenues at the rate we anticipated.

Possible new ideas or products may not materialize as expected or may come under pressure from competing ideas or products.

Stocks may fall out of favor with the overall market.

Securities of small and mid-size capitalization companies involve greater risk than investing in larger-capitalization companies. They tend to be more vulnerable to adverse developments and are more volatile and less liquid than securities of larger companies.

Interest rates may rise, which could result in a decline in the overall market.

Particular investments may be difficult to purchase or sell. We may make investments that may become less liquid in response to market developments or adverse investor perceptions, which may reduce the returns of an account because we may be unable to sell the illiquid securities at an advantageous time or price.

This strategy also poses risks should the exchange-traded products in which we invest are not able to replicate exactly the performance of the indexes they track.

Technical assessment. The stock universe we create and follow is then subject to an evaluation of technical factors. We normally analyze past stock movements to evaluate current strength of a stock and apply that analysis to the present in an attempt to recognize strong technical patterns and to confirm the stock direction, as well as whether the current price offers an attractive entry point for purchase in client accounts. Technical considerations

may consist of the following factors:

- recent stock price action that evidences building a price base between distinct price points
- comparing the relative strength of a stock to the Standard & Poor's 500 Index
- a stock price above both its 50-day and 200-day moving averages, and/or
- the strength of the sector that the stock resides in compared to other sectors.

Technical assessment does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

A risk exists in securities that may lose value because of declines in the stock market and may be adversely affected by market conditions and factors related to a particular sector or company.

A risk in using this purchase strategy is that if our assessments and predictions are incorrect, and the security declines in value, we may potentially take a loss on investments.

In addition, this strategy may involve more frequent trading than does a longer-term purchase strategy, and would result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

The **Fixed-Income** investment strategy combines the use of individual corporate debt securities, municipal securities, U.S. Treasury and agency obligations, certificates of deposit, exchange traded products, bond mutual funds, and money market mutual funds. The amount invested in the bond market will ordinarily not vary as much as our exposure to equities may vary. Client assets not invested in fixed-income securities will be invested in money market mutual funds and/or cash equivalents.

Under normal market conditions, account portfolios will be fully invested according to their fixed-income investment strategy. In response to adverse market, economic or political conditions, we may temporarily depart from our principal fixed-income investment strategy by making short-term investments in cash equivalents, money market instruments and short-term debt securities.

Fixed-income portfolios will generally include a mix of individual corporate debt securities, municipal securities, U.S. Treasury and agency obligations, certificates of deposit, exchange traded products, bond mutual funds, and money market mutual funds. Exchange traded products are designed to provide a liquid and diversified portfolio that is representative of an index or a sector. Exchange traded products provide our client portfolios the flexibility to participate in investment areas where the level of risk would be too high to participate in by holding an individual security. They are also designed to provide a liquid and diversified

vehicle to satisfy an investment view in which individual securities are not readily available.

Fixed-income selection. We purchase fixed-income securities that are made available to us from a variety of broker-dealers and United States governmental offerings. In selecting securities, we seek holdings that we believe exhibit steady and reliable streams of income for client accounts, while preserving its capital.

We use a combined approach of technical and fundamental analysis. Analysis of fixed-income opportunities encompasses the same research approach that is used in purchasing equity securities for client accounts. Fixed-income securities are evaluated from a fundamental basis. Typically we prefer to purchase securities at an attractive price and that we believe are exhibiting attractive credit worthiness attributes by the bond issuer. In verifying the credit worthiness of an issuer, we review the following factors:

- significant market capitalization of the issuing company or municipality
- stable and proven company businesses
- issuing companies cash flow abilities and debt rollover requirements
- widely held issue size and ability to trade the security in the future, and/or
- industry credit rating agency reports and risk rankings.

Fixed-income selection evaluation does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the bond market regardless of the economic and financial factors considered in evaluating the debt obligations.

We may invest in fixed-income securities that may be adversely affected by market conditions and factors related to a particular company or industry.

Fixed-income investments may fall out of favor with the overall market.

Fixed-income securities are subject to interest rate risk which, generally, causes the value of a fixed-income portfolio to decrease when interest rates rise.

Fixed-income securities are subject to credit risk, which is the risk that an issuer of a bond will be unable to repay interest and principal in a timely manner.

Particular fixed-income securities that are below investment grade, or which have received negative credit ratings or that are no longer widely held, may be difficult to purchase or sell. We may make investments that may become less liquid in response to market developments or adverse investor perceptions, which may reduce the returns of an account because we may be unable to sell the illiquid securities at an advantageous time or price.

This strategy also poses risks should the exchange traded products in which we invest are

not able to exactly replicate the performance of the indexes they track.

The **Balanced** investment strategy combines the equity approach and the fixed-income approach into a portfolio seeking total return. We have the flexibility to select among different types of investments for capital growth and income, consistent with preservation of capital. Clients may allocate varying levels of fixed-income exposure and equity exposure in their agreed upon investment objective. The percentage allocation of assets is discussed with each client and determined within the framework of a client's balanced objective. Such flexibility allows us to alter the composition of the portfolio as economic and market trends change.

We expect to invest client assets in equity securities and fixed-income securities. Equity securities selected will generally include common stock, exchange traded products, equity mutual funds and other securities that meet the client's investment objective. Fixed-income securities selected will generally include individual corporate debt securities, municipal securities, U. S. Treasury and agency obligations, certificates of deposit, exchange traded products, and bond mutual funds. Client assets not invested in equities or fixed-income securities will be invested in money market mutual funds and/or cash equivalents.

Under normal market conditions, account portfolios will be fully invested according to their balanced investment strategy. In response to adverse market, economic or political conditions, we may temporarily depart from our principal balanced investment strategy by making short-term investments in cash equivalents, money market instruments and short-term debt securities.

We use a combined approach of technical and fundamental analysis. Analysis encompasses the same research approach that is used in purchasing equity securities and fixed-income securities for client accounts.

This strategy poses the same risks associated with our stock selection and fixed-income selection discussed earlier in this Investment Strategies section. In addition, there are risks should the exchange traded products in which we invest are not able to exactly replicate the performance of the indexes they track.

This strategy also poses the same risks associated with our technical assessment also discussed earlier in this Investment Strategies section.

Risk of Loss. Securities investments are not guaranteed and you may lose money on your investments. Past performance does not guarantee future results.

We ask that you work with us to help us understand your tolerance for risk, your investment time horizon and any possible need for liquidity to pay for short notice emergencies. Investment returns and market values will go up and down, similar to fluctuations of stock and bond markets. Investing in securities involves risk of loss over short term and long time periods that clients should be prepared to bear. Diversification of your investments by

holding multiple categories of assets can help reduce your investment risk, although it cannot ensure a profit or guarantee against a loss.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Sanders Morris Harris Group Inc. (NASDAQ: SMHG), a wealth/asset management company that manages client assets, is a direct owner of Leonetti & Associates, LLC. Certain financial accounting records are kept at the firm's office located at 600 Travis, Suite 5800, Houston, Texas 77002. Additional information is available at www.smhgroup.com.

Through our association with Sanders Morris Harris Group Inc., we are affiliated with the following investment advisers and operating entities - SMH Capital Advisors, Inc., SOF Management LLC, Edelman Financial Services LLC, The Rikoon Group LLC, Miller-Green Financial Services, Inc., Investor Financial Solutions, Silverbay Capital Management LLC, Global Financial Services LLC, GFS Advisors LLC and Sanders Morris Harris Inc. Sanders Morris Harris Inc. is also a broker-dealer.

Michael E. Leonetti, a Managing Member of our firm, is separately licensed as a registered representative of Sanders Morris Harris Inc., an affiliated broker-dealer. This individual, in his separate capacity, can effect securities transactions for which he may receive separate, yet customary compensation.

While Leonetti & Associates, LLC and this individual endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of any additional compensation itself creates a conflict of interest, and may affect the judgment of this individual when making recommendations.

No Leonetti & Associates, LLC client is obligated to use the brokerage services of Sanders Morris Harris Inc.

Michael E. Leonetti also maintains an all-lines insurance producer's license with the State of Illinois Department of Insurance. He obtained the license in 1978 and it enables him to provide advice related to insurance. We do not sell insurance products to or receive brokerage commissions from our clients.

We primarily use the custodial and trading services of Pershing Advisor Solutions LLC, TD Ameritrade and Charles Schwab to custody client assets and execute client transactions. These brokerage firms work exclusively with independent investment advisers in providing a

variety of financial services to individuals and businesses. We are not affiliated with any of these firms. We transact business with other broker-dealers and mutual fund companies when specifically directed to do so by a client.

As this affiliation with Sanders Morris Harris Inc. may present potential conflicts of interest, we are subject to written policies and procedures for insider trading that prohibit Michael E. Leonetti, and any other member, officer or employee of our firm, from buying, selling or recommending the securities of companies bought, sold or recommended by Sanders Morris Harris Inc. where the decision is substantially derived, in whole or in part, by reason of access to the recommendations of Sanders Morris Harris Inc. to its clients.

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure).

Clients should be aware that the receipt of additional compensation by Leonetti & Associates, LLC and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Leonetti & Associates, LLC endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Leonetti & Associates, LLC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. In addition, it provides guidance to employees in regards to firm operations, educational standards and performance expectations.

Our Code of Ethics includes policies and procedures for the review of personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics requires the prior approval for any reportable personal securities transactions by all employees. Our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Certain securities transactions by principals and employees do not require prior approval. These transactions may include on-going participation in an issuer's dividend or stock purchase plan, transactions involving the purchase or sale of certain debt instruments or open-end investment companies, and involuntary transactions such as mergers, inheritances or gifts.

Leonetti & Associates, LLC's Code of Ethics further includes the firm's policy designed to prevent any misuse of material non-public information by our employees. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to jobrien@leonettiassoc.com, or by calling us at 847-520-0999.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees 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.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any reportable security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of

advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any reportable security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any reportable personal securities transaction by all employees of the firm.
5. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
6. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
7. We have established procedures for the maintenance of all required books and records. .
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our

senior management.

12. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), a related person of our firm is separately registered as a registered representative of a broker-dealer. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

Item 12 Brokerage Practices

For discretionary clients, Leonetti & Associates, LLC requires these clients to provide us with written authority to determine the broker-dealer to use and to negotiate the commission costs that will be charged for these client transactions.

These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

The primary consideration in implementing client transactions with brokers is execution at the most favorable net price. Other factors we consider in selecting or recommending brokers and determining the reasonableness of their compensation include, but are not limited to, low commission rates, prompt execution of trades, complexity in order execution, integrity and financial stability, quality of record keeping, level of client service, clearance and settlement capabilities, pricing and valuation, confidentiality of client information, access to desirable securities, as well as the level and type of business conducted with a firm over a period of time.

We believe we have negotiated competitive commission rates with brokers we may recommend to execute client transactions. Brokers that we select to execute transactions may from time to time refer clients to our firm. Leonetti & Associates, LLC will not make commitments to any broker or dealer to compensate that broker or dealer through brokerage or dealer transactions for client referrals; however, a potential conflict of interest may arise between the client's interest in obtaining best price and execution and Leonetti & Associates, LLC's interest in allocating brokerage business and receiving future referrals.

Leonetti & Associates, LLC does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Leonetti & Associates, LLC conducts periodic trading practices and best execution reviews, analyzing price and commissions offered by the various brokers used and volume of client commissions directed to each broker. Moreover, we perform a qualitative ranking of all brokers used by interviewing our trading staff.

Leonetti & Associates, LLC will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities

composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Leonetti & Associates, LLC will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Leonetti & Associates, LLC's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Leonetti & Associates, LLC, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Leonetti & Associates, LLC to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Leonetti & Associates, LLC's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Leonetti & Associates, LLC's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

Leonetti & Associates, LLC may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Leonetti & Associates, LLC is independently owned and operated, and not affiliated with Schwab.

Schwab provides Leonetti & Associates, LLC with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to no-load or load-waived mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit Leonetti & Associates, LLC but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;

- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our advisory business. These services may include:

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Leonetti & Associates, LLC. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Leonetti & Associates, LLC participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. Leonetti & Associates, LLC receives some benefits from TD Ameritrade through our participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount):

- i. duplicate client account statements and trade confirmations;
- ii. access to a trading desk serving adviser participants;
- iii. access to block trading (which provides the ability to aggregate securities transactions for execution and then to allocate the appropriate shares to client accounts);
- iv. the ability to have advisory fees deducted directly from client accounts;
- v. access to an electronic communications network for client order entry and account information;
- vi. access to mutual funds with no transaction fees and to certain institutional money

managers; and

- vii. discounts on compliance, marketing, technology, and practice management products or services provided to Leonetti & Associates, LLC by third party vendors.

TD Ameritrade may also pay for business consulting and professional services received by Leonetti & Associates, LLC's related persons.

Some of the other products and services made available by TD Ameritrade through the program may benefit Leonetti & Associates, LLC but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our advisory business.

The benefits received by Leonetti & Associates, LLC or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Leonetti & Associates, LLC or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade for custody and brokerage services.

An employee of Leonetti & Associates, LLC serves on the TD Ameritrade Institutional Operations Panel ("Panel"). The Panel consists of approximately 24 independent investment advisers that advise TD Ameritrade on issues relevant to the independent adviser and their experience with TD Ameritrade's service, technology and products. The Panel meets in person on average three to four times per year and conducts periodic conference calls on an as needed basis.

Investment advisers are appointed to serve on the Panel for a three year term by TD Ameritrade sales, service and senior management. An investment adviser may serve longer than three years if appointed to additional terms by senior management. At times, Panel members are provided confidential information about TD Ameritrade initiatives. Panel members are required to sign confidentiality agreements. TD Ameritrade does not compensate Panel members. However, TD Ameritrade pays or reimburses our firm or our personnel for the travel, lodging and meal expenses we incur in attending Panel meetings. The benefits received by our firm or our personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to TD Ameritrade.

CLIENT DIRECTED BROKERAGE

Other investment advisers and their clients may direct Leonetti & Associates, LLC to use certain brokerage firms to execute a client's advisory transactions. Then the client is responsible for negotiating the terms and arrangements with the directed broker. These arrangements may lead to higher or lower brokerage commission costs or executions. Directed brokerage may preclude a client from participating in certain aggregated client transactions (block trades) which may involve better average prices. In addition, the client may pay other transaction costs or receive less favorable price spreads that cost the client

more money. We may be unable to achieve most favorable execution of client transactions in a directed brokerage client agreement. We will not monitor brokerage services provided by a directed broker.

Item 13 Review of Accounts

Deborah Feldman, Craig Johnson, J. Matt Varner, Cristine Marik and Robin Stone are members of our firm's investment committee that determines general investment advice to be given to clients. The investment committee establishes asset allocation strategies for most investment advisory client accounts. The committee may also consult with other research and investment professionals of our firm.

INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines, as well as any investment restrictions provided by the client.

More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, significant account withdrawals or contributions, tax related transactions, changes in a client's investment profile, client portfolio progress/performance, changes recommended in our overall investment strategy by our investment committee or portfolio managers, and the market, political or economic environment.

These accounts are reviewed by: Craig T. Johnson, Portfolio Manager and J. Matt Varner, Fixed-Income Portfolio Manager.

The number of reviewers will vary depending on the amount of assets, type of account and nature of investment objectives of each client. These accounts may also be reviewed by an assigned Financial Planner.

INVESTMENT SUPERVISORY SERVICES ASSET ALLOCATION SERVICES

REVIEWS: While the underlying securities within Asset Allocation Services accounts are continually monitored, these accounts are reviewed at least monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines, as well as any investment restrictions provided by the client.

More frequent reviews may be triggered by material changes in variables such as the client's

individual circumstances, significant account withdrawals or contributions, tax related transactions, changes in a client's investment profile, client portfolio progress/performance, changes recommended in our overall investment strategy by our investment committee, investigation of mutual fund management or style changes, evaluation of tactical investment strategies by the investment committee and/or financial planner groups, and the market, political or economic environment.

These accounts are reviewed by the following members of our investment committee: Deborah B. Feldman, President and Director of Financial Planning and Robin L. Stone, Certified Financial Planner.

The number of reviewers will vary depending on the amount of assets, type of account and nature of investment objectives of each client. These accounts may also be reviewed quarterly by an assigned Financial Planner.

INVESTMENT SUPERVISORY SERVICES REPORTS: In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly appraisal reports summarizing account performance, common industry benchmark returns, fee calculations, realized/unrealized gain and loss results, balances and holdings. These reports will also remind the client to notify us if there have been changes in the client's financial situation or investment objectives. The information in these written reports are prepared from records we consider to be reliable and are for informational purposes only.

Appraisal report content should be carefully compared with account statements sent directly to clients by the custodian of their assets. Such reports are not intended to replace a client's custodial account statements as records for tax reporting purposes.

We distribute a quarterly newsletter, weekly market commentaries and other materials to clients. Special reports may be prepared to meet specific client requirements. We may periodically provide reports regarding firm statistical data, composite performance, portfolio positions and other account information to financial intermediaries and certain independent databases that are not regularly provided to clients.

FINANCIAL PLANNING SERVICES

REVIEWS: We generally offer to meet in person or by telephone with clients at least annually, or more frequently at the request of a client. While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for. Any such client plan reviews will be conducted by the client's Financial Planner.

More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, tax or cash flow issues, insurance matters, estate plan information, education funding, alternative investments, retirement and tax planning, death or disability, or

the market, political or economic environment.

These plan reviews are monitored by: Deborah B. Feldman, President and Director of Financial Planning.

REPORTS: Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

CONSULTING SERVICES

REVIEWS: While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Any such reviews will be conducted by the client's Financial Planner.

REPORTS: These client accounts will receive reports as contracted for at the inception of the advisory engagement.

Item 14 Client Referrals and Other Compensation

CLIENT REFERRALS

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

Leonetti & Associates, LLC may receive client referrals from TD Ameritrade through our participation in TD Ameritrade AdvisorDirect (the "referral program"). AdvisorDirect is a national referral service for TD Ameritrade retail customers, prospective customers and other investors served by TD Ameritrade's branch offices to engage the services of an independent investment advisory firm.

In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we may have been selected to participate based on the amount and profitability to TD Ameritrade of

the assets in, and trades placed for, client accounts. The referral program was established to refer its brokerage customers seeking fee-based personal investment management and/or financial planning services to investment advisers. TD Ameritrade does not supervise us and has no responsibility for our management of client accounts or other services.

TD Ameritrade receives an ongoing fee from LA for each client referral if a client enters into an investment management agreement with us. This fee is usually a percentage (15 to 25%) of the advisory fee that the client pays to us ("solicitation fee"). TD Ameritrade will also receive the solicitation fee from any of a referred client's immediate family members who reside with the referred client and hired by us on the client's recommendation. We will not charge clients referred through AdvisorDirect any fees higher than our basic fee schedule. There is no cost or obligation for an introductory interview with us. For additional information, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form. TD Ameritrade is not a party to the investment management agreement between a client and our firm.

Our participation in the referral program raises potential conflicts of interest. TD Ameritrade will refer clients through AdvisorDirect to investment advisers that encourage referred clients to custody their assets at TD Ameritrade. So we may have an incentive to recommend to clients that the assets we manage be held in custody with TD Ameritrade and to conduct client trades through TD Ameritrade rather than another broker-dealer. Except when our fiduciary duties require doing so, we will not solicit clients referred to us through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage accounts at other custodians.

We acknowledge our duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at TD Ameritrade may be executed through a different broker-dealer than trades for our other clients. Then trades for clients accounts custodied at TD Ameritrade will be executed at different times and different prices, and that may cost the client more money than trades for other client accounts executed at other broker-dealers.

OTHER COMPENSATION

As a matter of firm practice, we do not offer incentive awards to our personnel.

Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian that holds and maintains client's investment assets is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is

important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Our firm does not have actual or constructive custody of client accounts.

Item 16 Investment Discretion

Clients may hire us to provide discretionary investment management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Leonetti & Associates, LLC requires that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold in a client's account. Written client consent is also obtained through the signing of a client brokerage account application, trading authorization, and any other required custodian account agreements.

Item 17 Voting Client Securities

Typically, we do not vote proxies for client accounts. We vote proxies for some, but not all of our clients. Clients may, at their election, choose to receive proxies related to their own accounts, in which case we may consult with clients as requested.

In some instances, we may vote proxies if a third party custodian is used to hold client assets and we are provided with properly endorsed proxies for voting. Or if we are specifically told by clients governed by ERISA that there is no specific reservation in the plan document regarding proxy voting.

We will vote those proxies in the best interests of clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and suggest the client retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting our Chief Compliance Officer by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

For accounts where we do not vote proxies, our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

Item 18 Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Leonetti & Associates, LLC has no additional financial circumstances to report.

Leonetti & Associates, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.