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Form ADV Part 2A: Disclosure Brochure

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This brochure provides information about the qualifications and business practices of New Harbor Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at 978-537-7701. 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 New Harbor Financial Group, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

New Harbor Financial Group, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, New Harbor Financial Group, LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

Item 3 Table of Contents

Item 1 Cover Page	Page 1
Item 2 Material Changes	Page 2
Item 3 Table of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 5
Item 6 Performance-Based Fees and Side-By-Side Management	Page 7
Item 7 Types of Clients	Page 7
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 8
Item 9 Disciplinary Information	Page 10
Item 10 Other Financial Industry Activities and Affiliations	Page 10
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 10
Item 12 Brokerage Practices	Page 11
Item 13 Review of Accounts	Page 13
Item 14 Client Referrals and Other Compensation	Page 14
Item 15 Custody	Page 15
Item 16 Investment Discretion	Page 15
Item 17 Voting Client Securities	Page 15
Item 18 Financial Information	Page 16
Item 19 Requirements for State-Registered Advisers	Page 16
Item 20 Additional Information	Page 16

Item 4 Advisory Business

Description of Services and Fees

New Harbor Financial Group, LLC is a registered investment adviser primarily based in Leominster, MA. We are organized as a limited liability company under the laws of the State of MA. We have been providing investment advisory services since 2010. Michael Preston and John Llodra are our firm's principal owners. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Investment Management and Wealth Management Services
- Financial Planning and Consulting Services
- Sub-advisory Services

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to New Harbor Financial Group, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm.

Investment Management and Wealth Management Services

We offer discretionary and non-discretionary investment management services. In addition, we may provide our clients with wealth management services which may include broad-range financial planning and consulting services.

Our investment advice is tailored to meet our clients' individual needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information at the beginning of our advisory relationship. We will use the information we gather to develop a strategy that enables our firm to give you ongoing and focused investment advice. As part of our portfolio management services, we will invest your assets according to one or more model portfolios developed by our firm. Once we select a model portfolio, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and the appropriate trading authorization forms. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

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

You must promptly notify our firm of any changes in your financial situation or investment objectives, or if you wish to impose any restrictions on our management services.

Financial Planning Services

We offer financial planning services which typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. These services can range from broad-range financial planning to consultative/single subject planning, as requested by the client.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change. In performing our services, we shall not be required to verify any information we receive from you or your other professionals (e.g., attorney, accountant, etc.) and we are expressly authorized to rely on such information.

We may recommend that you implement our recommendations through our services, through persons associated with our firm in their capacities as registered representatives of a broker-dealer, and/or through other professionals. A conflict of interest exists if we recommend our own services or other professionals affiliated with our firm. You retain absolute discretion over all implementation decisions and are free to accept or reject any of our recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

Sub-Advisory Services

We offer sub-advisory services to an unaffiliated investment adviser ("Primary Investment Adviser"). As part of these services, we will manage assets delegated to our firm by the Primary Investment Adviser. While we are responsible for the overall management of the assets delegated to our firm, we will not communicate investment recommendations or selections directly to the Primary Investment Adviser's individual clients.

Types of Investments

We intend to primarily allocate our client's investment management assets among exchange-traded funds, options, and to a less frequent extent among mutual funds, individual equities, and other types of securities. Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

Assets Under Management

As of 02/27/2012, we manage \$203,000,000 in client assets on a discretionary basis, and \$5,200,000 in client assets on a non-discretionary basis.

Item 5 Fees and Compensation

Investment Management and Wealth Management Services

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following fee schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$50,000 - \$100,000	2.00%
\$100,001 - \$200,000	1.75%
\$200,001 - \$500,000	1.50%
\$500,001 - \$1,000,000	1.30%
\$1,000,001 - \$2,500,000	1.15%
\$2,500,001 - \$5,000,000	1.10%
\$5,000,001 - \$7,500,000	1.05%
\$7,500,001 - \$10,000,000	1.00%
\$10,000,001 - \$12,500,000	0.95%
\$12,500,001 - \$15,000,000	0.90%
\$15,000,001+	0.85%

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata

basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement at any time by verbal or written notice. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Additions to your account may be in cash or securities provided that we reserve the right to liquidate any transferred securities, or decline to accept particular securities into your account. We may consult with you about the options and ramifications of transferring securities. However, when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications. If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

Financial Planning Services

We charge a fixed fee and /or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$5,000 on a fixed fee basis and \$150 - \$250 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or consulting services. At our discretion, we may offset our financial planning fees to the extent you implement the financial plan through our Investment Management Services.

Fees are due upon completion of services rendered. You may terminate the financial planning agreement by providing written notice to our firm. At our discretion, you may incur a pro rata charge for services rendered prior to the termination of the agreement.

Sub-Advisory Services

As compensation for our sub-advisory services, we share in the advisory fee paid to the Primary Investment Adviser.

Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are

executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this brochure.

Compensation for the Sale of Securities or Other Investment Products

Persons providing investment advice on behalf of our firm are registered representatives with Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC-registered securities broker-dealer and a member of FINRA. In their capacity as registered representatives, these persons may receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs.

In addition, persons providing investment advice on behalf of our firm are also licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs.

You are under no obligation, contractually or otherwise, to purchase securities or insurance products through any person affiliated with our firm. In addition, we have procedures in place to ensure that any recommendations made by persons providing investment advice on behalf of our firm are in our clients' best interest regardless of any additional compensation earned.

For accounts covered by ERISA (and such others that we deem appropriate in our sole discretion), we will provide investment advisory services on a fee-offset basis. In this scenario, we may offset our fees by an amount equal to the aggregate commissions and 12b-1 fees earned by our representatives in their individual capacities as registered representatives of PKS.

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

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

Item 7 Types of Clients

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

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

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

Our Methods of Analysis and Investment Strategies

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

Technical analysis - involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that the Firm will be able to accurately predict such a reoccurrence.

Cyclical analysis - is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that the Firm is recommending. The risks with cyclical analysis are similar to those of technical analysis.

Fundamental analysis - involves the fundamental financial condition and competitive position of a company. The Firm will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security. Also, information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Charting analysis - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends. The primary risk is that our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Long-Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

Short-Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

We may use *short-term trading* (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk. This may include buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses. However, there is a risk that frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

Tax Considerations

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

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

Market Risks

The profitability of a significant portion of our recommendations may depend to a great extent upon correctly assessing the future course of price movements of securities, including ETFs, stocks and bonds. There can be no assurance that we will be able to predict those price movements accurately.

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Recommendation of Particular Types of Securities

As disclosed under the *Advisory Business* section in this brochure, we primarily recommend exchange-traded funds ("ETFs") and options. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

ETFs: Most ETFs seek to achieve the same return as a particular market index and the ETF will primarily invest in the securities of companies that are included in a selected market index. ETFs seek to achieve their stated objectives on a daily basis, and their performance over longer periods of time can differ significantly from the multiple or inverse multiple of the index performance over those longer periods of time. ETFs are subject to secondary market trading risks. Shares of an ETF are listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. The primary risk of inverse ETFs is that they are designed to achieve their objectives on a short-term basis and their performance over longer periods of time can differ significantly from the performance of their underlying index or benchmark during the same period of time. This can result in losses, which can be magnified in volatile markets.

Options: We may recommend the use of options for clients. Specifically, in conducting our investment strategy, we may elect to engage in the selling of covered call options or the purchase of protective put options. Options allow our firm to hedge (limit) certain potential losses on positions clients hold. In addition, options may allow our firm to lessen the volatility that a client's account might otherwise be subjected to.

If we sell a covered call option, the client's account will receive a payment in the amount of the call option premium less any transaction costs. This payment is retained by the client and can reduce potential downside risks of owning the underlying security against which the option was written. However, such downside protection is limited to the amount of the net option premium received by the client. In return for this downside protection, the client potentially foregoes some upside appreciation in the underlying security if the call option buyer exercises their right to purchase the client's shares of the underlying security.

In the case of purchasing protective put options, the client will incur a cost (known as the option premium, plus a potential transaction charge). In return for payment of this premium, the client will be protected from losses on the underlying security if it falls below the strike price of the put option. If the price of the underlying security does not drop after the put option is purchased, the client may not recoup the cost incurred to purchase the option.

We may actively manage covered call or protective put options by entering into closing transactions prior to the option expiration date, in which case the client may experience capital gain or loss on the option position.

Item 9 Disciplinary Information

New Harbor Financial Group, LLC has been registered and providing investment advisory services since 2011. Prior to this, our management persons and advisors were affiliated with another independent investment advisor, Commonwealth Financial Network. Neither our firm nor any of our management persons has any reportable disciplinary information.

Item 10 Other Financial Industry Activities and Affiliations

Registrations with Broker-Dealer

Persons providing investment advice on behalf of our firm are registered representatives with Purshe Kaplan Sterling Investments, Inc. ("PKS"), an SEC-registered securities broker-dealer and a member of FINRA and are insurance agents. Please refer to Item 5 under "Compensation for the Sale of Securities or Other Investment Products" for more information regarding these activities.

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

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of

Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

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

Participation or Interest in Client Transactions

Neither our firm nor any persons associated with our firm has any material financial interest in securities recommended to clients beyond the provision of investment advisory services as disclosed in this brochure.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the *Brokerage Practices* section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities. Our routine use of block trades is meant to ensure our personal trades do not receive preferential treatment above our clients' trades.

Item 12 Brokerage Practices

We participate in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, we participate in TD Ameritrade's institutional customer program and we will recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice it gives to our clients, although we receive economic benefits through its 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): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit its 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 its business enterprise. The benefits received by us or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, we endeavor at all times to put the interests of its clients first. You should be aware, however, that the receipt of

economic benefits by our firm or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

We also receive from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include Black Diamond Performance Reporting, Junxure, Dorsey, Wright and Associates, Forefield, Inc., and MoneyGuide Pro. TD Ameritrade provides the Additional Services to us in our sole discretion and at its own expense, and we do not pay any fees to TD Ameritrade for the Additional Services. Our firm and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services. Our receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to us, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, our client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with our firm, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, we may have an incentive to recommend to you that your assets under management by our firm be held in custody with TD Ameritrade and to place transactions for your accounts with TD Ameritrade. Our receipt of Additional Services does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for your accounts.

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

Brokerage for Client Referrals

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

Directed Brokerage

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

In limited circumstances, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may

also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

Block Trades

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

In the event that we determine that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, we may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

We do not combine orders for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

Item 13 Review of Accounts

If you participate in our Investment Management Services, the investment adviser representative assigned to your account will monitor your accounts on an ongoing basis and will conduct account reviews at least quarterly to ensure that the advisory services provided to you are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

You should discuss your needs, goals, and objectives with our firm and keep us informed of any changes to your financial circumstances, needs, goals, or objectives. We will contact ongoing investment advisory clients at least annually to review our services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, you will receive trade confirmations and monthly or quarterly statements directly from your account custodian(s). If you participate in our Investment Management Services, we may also provide you with a report that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance. You should compare the account statements you receive from your custodian with those you receive from our firm.

If you have engaged our firm for financial planning and/or consulting services, we may provide you with reports summarizing our analysis and conclusions as you have requested or otherwise agreed to in writing by our firm.

Item 14 Client Referrals and Other Compensation

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents, and are registered representatives with PKS. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the *Fees and Compensation* section. In addition, for more information regarding the economic benefits we receive through our participation in certain TD Ameritrade programs, please refer to the *Brokerage Practices* section above.

We may receive client referrals from TD Ameritrade through our participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with our firm and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise our firm and has no responsibility for our firm's management of client portfolios or our other advice or services. AdvisorDirect pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to our firm ("Solicitation Fee"). We will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by our firm from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired our firm on the recommendation of such referred client. We will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Our participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, we may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, we have agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from

TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Our participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Item 15 Custody

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf without first having to seek your consent, you must sign our discretionary management agreement, which includes a power-of-attorney. You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) and when transactions are made without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that certain securities are not to be bought or sold. Please refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

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

Item 17 Voting Client Securities

Proxy Voting

We may vote client securities (proxies) on behalf of its clients. When we accept such responsibility, we will only cast proxy votes in a manner consistent with the best interest of our clients. Absent special circumstances, which are fully- described in our Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in our Proxy Voting Policies and Procedures, as they may be amended from time-to-time. At any time, you may contact our firm to request information about how we voted proxies for your securities or to get a copy of our Proxy Voting Policies and Procedures. A brief summary of our Proxy Voting Policies and Procedures is as follows:

- We have formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to our then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including:

composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.

- Although the Proxy Voting Guidelines are to be followed as a general policy, certain issues will be considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, we shall devote an appropriate amount of time and resources to monitor these changes.
- Where we are responsible for voting proxies on your behalf, you cannot direct our firm to vote on a particular solicitation. Our authority to vote proxies can, however, be revoked.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that we maintain with persons having an interest in the outcome of certain votes, we will take appropriate steps to ensure that our proxy voting decisions are made in the best interest of our clients and are not the product of such conflict.

Item 18 Financial Information

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance nor have we filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this brochure.

Item 19 Requirements for State-Registered Advisers

Our firm is a federally-registered investment adviser; therefore, this Item does not apply.

Item 20 Additional Information

Your Privacy

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

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

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

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

Trade Errors

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

Class Action Lawsuits

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

Item 2 Summary of Material Changes Supplement

The following material changes occurred since the last brochure dated April 29, 2011.

- The “Advisory Business” section of our brochure has been amended to clarify that we do not typically accommodate client restrictions on how we invest accounts and to disclose that we provide sub-advisory services to other investment advisers.
- We have updated the value of our assets under management.
- The “Fees and Compensation” section of our brochure has been amended to include our fee schedule’s specific breakpoints and corresponding annual fees and to clarify that our management fees are billed pro rata if our management agreement is executed at any time other than the first day of a calendar quarter. This section has also been amended to clarify that we may aggregate account values of family members to determine the applicable advisory fee and that clients may terminate our management agreement at any time by verbal or written notice. We have also added additional information related to the payment of financial planning fees and sub-advisory services fees.
- We have included disclosure in the “Fees and Compensation” section related to our employees’ receipt of commissions in their capacities as insurance agents.
- We have enhanced our investment methodology and risk disclosure in the “Methods of Analysis, Investment Strategies, and Risk of Loss” section.
- The “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” section has been amended to disclose our practice of including our proprietary accounts in executing combined orders for our client accounts (“block trading”).
- The “Review of Accounts” section has been amended to disclose factors we may consider in conducting reviews of your account(s).
- We have included disclosure to clarify our policy on profits resulting from trade errors and on class action lawsuits.
- The overall language has been updated to be more direct and succinct.