

Item 1 – Cover Page

ArMA Financial Services, Inc.  
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March 23, 2011

This Brochure provides information about the qualifications and business practices of ArMA Financial Services, Inc. If you have any questions about the contents of this Brochure, please contact us at (480) 505-4004 or at [www.armafinancial.com](http://www.armafinancial.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.

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

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

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 23, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

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

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

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

Currently, our Brochure may be requested by contacting Tina Kennedy, Chief Compliance Officer, at (480) 505-4004 or [tdd@armafinancial.com](mailto:tdd@armafinancial.com). Our Brochure is also available on our web site, [www.armafinancial.com](http://www.armafinancial.com), free of charge.

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

### Item 3 -Table of Contents

|  |     |
|--|-----|
| Item 1 – Cover Page .....  | i   |
| Item 2 – Material Changes .....  | ii  |
| Item 3 -Table of Contents .....  | iii |
| Item 4 – Advisory Business .....   | 1   |
| Item 5 – Fees and Compensation .....                                       | 1   |
| Item 6 – Performance-Based Fees and Side-By-Side Management .....          | 2   |
| Item 7 – Types of Clients .....  | 2   |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss ..... | 3   |
| Item 9 – Disciplinary Information .....                                    | 8   |
| Item 10 – Other Financial Industry Activities and Affiliations .....       | 9   |
| Item 11 – Code of Ethics .....   | 9   |
| Item 12 – Brokerage Practices .....  | 11  |
| Item 13 – Review of Accounts .....   | 11  |
| Item 14 – <i>Client</i> Referrals and Other Compensation .....             | 12  |
| Item 15 – Custody .....  | 12  |
| Item 16 – Investment Discretion .....                                      | 12  |
| Item 17 – Voting <i>Client</i> Securities .....                            | 12  |
| Item 18 – Financial Information .....                                      | 13  |
| Brochure Supplement(s)   |     |

#### **Item 4 – Advisory Business**

*ArMA Financial Services, Inc. (“Adviser”) has been providing investment advisory and money management services to individual investors and sponsors of qualified retirement plans since 1986. There are 2 principal owners of the Adviser: Merrill J. Sauriol, Chairman and CEO, and Kirk M. Tushaus, President.*

*The Adviser’s services are limited to retirement, investment and general financial planning services. The Adviser offers several different investment methods:*

***Equity Income***-This method invest in large value stocks that pay dividends.

***Income***-This method invests in stocks and fixed income securities that pay dividends.

***Asset Allocation***-This method invests in diversified equities, which include various equity styles and market capitalizations, and, at times, fixed income instruments, which include various maturities and credit qualities.

***AFS Dynamic Preservation and Strategic Growth and AFS 15***-This method invest in diversified equities consisting of Exchange Traded Funds (ETFs), which invest in various equity styles and market capitalizations. This method is generally for accounts larger than \$500,000.

***AFS Strategic Equity Allocation***-This method is the same as the AFS Dynamic Preservation and Strategic Growth method except that is generally for accounts smaller than \$500,000.

*Depending on the client’s risk parameters, a combination of the methods described above may be used. With any of these methods, clients have the right to impose restrictions on investing in certain securities.*

**Assets Under Management:** *As of December 31, 2010, the Adviser’s assets under management were \$76,206,077 (341 accounts). Of this amount, discretionary assets were \$73,122,183 (333 accounts), and non-discretionary assets were \$3,083,894 (8 accounts).*

#### **Item 5 – Fees and Compensation**

*Management fees are not negotiable and are not refundable.*

*The specific manner in which fees are charged by the Adviser is established in a client’s written agreement with the Adviser. These fees range anywhere from 1-2% per annum and*

*may include additional transaction charges per trade depending on the portfolio the client selects. The Adviser will generally bill its fees on a quarterly basis. Clients are billed in arrears each calendar quarter. Clients may also elect to be billed directly for fees or to authorize the Adviser's clearing firm to debit fees from client accounts. Management fees are not prorated for each capital contribution or withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any unearned or unpaid fees will be due and payable. Acceptance of management termination will be immediate upon written notification by either the client or adviser.*

*The Adviser's fees are exclusive of brokerage commissions and transaction fees which may also be incurred by the client depending on the written advisory agreement the client has signed. If fixed income instruments are used in the client's management method, a mark-up or mark-down may be applied, which is in addition to the Adviser's fees. Since these instruments are traded on a principal basis, it may create a conflict of interest.*

*Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges are exclusive of and in addition to Adviser's fee, and Adviser shall not receive any portion of these charges.*

*A \$500 fee may be charged for the initial allocation analysis on a prospective client, which will be applied to the first year's management fee if the prospective client becomes a client. At the discretion of the manager, a minimum annual fee may be charged.*

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

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

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

#### **Item 7 – Types of Clients**

*The Adviser provides portfolio management services to individuals, high net worth individuals, pension and profit-sharing plans, corporations and other businesses, and charitable organizations.*

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

### **Equity Income and Income Portfolios**

*These portfolios invest in high rated stocks, bonds and exchange traded funds (ETF's) listed on the New York Stock Exchange or Nasdaq Stock Market. The stocks typically pay dividends or interest. Stocks and bonds are usually purchased at their 52-week lows and sold based on information reviewed in articles, earnings reports, past performance results, and other investment analyst recommendations.*

*These portfolios may include investment risk such as the possible risk of principal and unless specified as such, are not FDIC insured. Other risks that are associated with the portfolio include the risk of losing all or part of your investment in one of the pooled investment vehicles. The portfolio is subject to principal risk, passive investment risk, tracking error risk, equity security risk, issuer risk, market trading risk, management risk and securities lending risk. The portfolio's performance could trail that of other investments. There is no guarantee that the client's objectives will be obtained.*

*It is the client's responsibility to allocate assets not managed by the Adviser and the Adviser will be responsible for monitoring only those client assets managed by the Adviser. The Adviser will contact the client at the end of each calendar quarter to determine if there have been any changes in the client's financial situation, investment objectives or instructions.*

*When passive managed investment vehicles are used, such as ETF's, the following risk should be considered:*

*Asset Class Risk: Securities in the underlying index or in the ETF's portfolio may underperform in comparison to the general securities market or other asset classes.*

*Concentration Risk: To the extent that the ETF's investments are concentrated in a particular market, industry or asset class, the ETF may be susceptible to loss due to adverse occurrences affecting that market, industry or asset class.*

*Equity Security Risk: Equity securities are subject to changes in value and their values may be more volatile than other asset classes.*

*Issuer Risks: ETF performance depends on the performance of individual securities in which the fund invests. Changes in the financial condition or credit rating of an issuer of those securities may cause the value of those securities to decline.*

*Management Risk: As the ETF does not fully replicate the underlying index, it is subject to the risk that the fund company's investment management strategy may not produce the intended results.*

*Market Risk: The ETF could lose money over short periods of time due to short-term market movements and over longer term periods during market downturns.*

*Market trading Risks: The ETF faces numerous market trading risks, including the potential lack of an active market for the ETF shares, losses from trading in the secondary markets, and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the ETF's shares trading at a premium or discount to NAV.*

*Passive Investment Risk: the fund is not actively managed and the ETF manager does not attempt to take defensive positions in declining markets.*

*Securities Lending Risk: if the ETF lends securities there is risk it may lose money if the borrower fails to return the securities in a timely manner or at all. The ETF could also lose money if the value of the collateral provided for the loaned securities or the value of the investments made with cash collateral falls. These events could also trigger adverse tax consequences for the ETF.*

*Tracking Error Risk: The performance of the ETF may diverge from that of the Underlying Index*

*The fees and expenses of the portfolio include those of the Adviser, the pooled investment vehicle or separate account manager, and trading expenses.*

#### *Asset Allocation Portfolio*

*This portfolio is managed on the basis of the client's investment objectives, current holdings, and instructions. These factors are used along with the clients risk profile to determine the appropriate allocation of their financial assets among different types and styles of equities, fixed income securities and cash or cash equivalents (money market funds). For some clients it may be appropriate to include alternative investments such as direct investments in private equity securities managed futures, and commodities. Any of the individual types or styles of a certain asset class may by itself be too risky for all of the client's assets but when combined with other styles within that asset class may be appropriate for the client's long term objectives, especially when combined with securities of other asset classes. The objective is to diversify the client's portfolio among different asset classes that assumes volatility and risk appropriate for the client and gives them the potential of realizing their long term investment objectives. It is the responsibility of the Adviser to determine appropriate passive and active*

*investment vehicles to implement on the clients behalf and to monitor these parts of the portfolio, and to make changes to the portfolio when necessary.*

*The implementation of the clients asset allocation mix may be accomplished with pooled investment vehicles such as open or closed end mutual funds and exchange traded funds (ETF's). It is also possible to use third party, separate account managers to implement all or part of the client's asset allocation portfolio. The client may choose to retain certain securities that they held prior to using the services of the Adviser and while these securities may be part of the overall asset allocation of their portfolio, the Adviser is not responsible for the management decisions of those securities if the client chooses to retain them in the portfolio held at the Adviser.*

*The portfolio may include conservative, moderate and aggressive types of investments, some of which are speculative and involve a high degree of risk. The portfolio may include investment risk such as the possible risk of principal and unless specified as such, are not FDIC insured. Other risks that are associated with the portfolio include the risk of losing all or part of your investment in one of the pooled investment vehicles. The portfolio is subject to principal risk, passive investment risk, tracking error risk, equity security risk, issuer risk, market trading risk, management risk and securities lending risk. The portfolio's performance could trail that of other investments. There is no guarantee that the client's objectives will be obtained.*

*It is the client's responsibility to allocate assets not managed by the Adviser and the Adviser will be responsible for monitoring only those client assets managed by the Adviser. The Adviser will contact the client at the end of each calendar quarter to determine if there have been any changes in the client's financial situation, investment objectives or instructions.*

*When passive managed investment vehicles are used, such as ETF's, the following risks should be considered:*

*Asset Class Risk: Securities in the underlying index or in the ETF's portfolio may underperform in comparison to the general securities market or other asset classes.*

*Concentration Risk: To the extent that the ETF's investments are concentrated in a particular market, industry or asset class, the ETF may be susceptible to loss due to adverse occurrences affecting that market, industry or asset class.*

*Equity Security Risk: Equity securities are subject to changes in value and their values may be more volatile than other asset classes.*



*Issuer Risks: ETF performance depends on the performance of individual securities in which the fund invests. Changes in the financial condition or credit rating of an issuer of those securities may cause the value of those securities to decline.*

*Management Risk: As the ETF does not fully replicate the underlying index, it is subject to the risk that the fund company's investment management strategy may not produce the intended results.*

*Market Risk: The ETF could lose money over short periods of time due to short-term market movements and over longer term periods during market downturns.*

*Market trading Risks: The ETF faces numerous market trading risks, including the potential lack of an active market for the ETF shares, losses from trading in the secondary markets, and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the ETF's shares trading at a premium or discount to NAV.*

*Passive Investment Risk: the fund is not actively managed and the ETF manager does not attempt to take defensive positions in declining markets.*

*Securities Lending Risk: if the ETF lends securities there is risk it may lose money if the borrower fails to return the securities in a timely manner or at all. The ETF could also lose money if the value of the collateral provided for the loaned securities or the value of the investments made with cash collateral falls. These events could also trigger adverse tax consequences for the ETF.*

*Tracking Error Risk: The performance of the ETF may diverge from that of the Underlying Index*

*The fees and expenses of the portfolio include those of the Adviser, the pooled investment vehicle or separate account manager, and trading expenses.*

#### *AFS Dynamic Preservation and Strategic Growth, AFS 15 and AFS Strategic Equity Allocation Portfolios*

*These portfolios provide a broad diversification opportunity that employs a disciplined buy and sell process in equity and equity type securities. The objective of the portfolios is to avoid large declines in the market value of these securities and to participate when there are opportunities in the specific market indices that we follow. This is a proactive, tactical approach to the management of our client's portfolios. There can be periods where the portfolio is 100% invested and others when there may be 0% invested. There may be periods where there are many transactions and others where there are few. The portfolios are*

*reviewed at the end of each calendar weeks trading close and a determination is made for the following weeks open regarding whether there will be additions or deletions to the portfolio.*

*These portfolios include passive investment securities that attempt to replicate specific indices that as a group offer many investment opportunities in styles and types of investment classes both domestically and internationally. The investments are made in exchange traded funds (ETF's) that are publicly traded pooled investment vehicles, and are traded on exchanges in the United States. The ETF's are equity in general, representing small, mid, and large capitalized company indices in the United States and abroad. They may include ETF's of individual countries, currencies, commodities, specific industry sectors, developed and emerging market indices. The ETF's seek investment results that correspond generally to the price and yield performance, before fees and expenses, of an underlying index.*

*The portfolios include ETF's which are operated and managed by the following companies: Vanguard Group, Blackrock (iShares), WisdomTree Funds, State Street Global Advisors (SPDR Funds), Invesco (Powershares) and ProFunds Group (Proshares). These ETF shares may or may not be current purchase recommendations through our management process and are included to give our client's opportunities to participate in a broad number of categories. The Adviser will employ a specific buy and sell discipline for the portfolios and the weighting will not be above 10% in any specific ETF. Even though specific guidelines are followed, that does not prevent the possibility of loss of principal. The portfolio is not FDIC insured. Investments in the shares of some ETF's are speculative and involve a high degree of risk. Before making an investment decision, a client should carefully consider the risk factors and other information that may affect them. This information is included in the prospectus of each ETF.*

*Asset Class Risk: Securities in the underlying index or in the ETF's portfolio may underperform in comparison to the general securities market or other asset classes.*

*Concentration Risk: To the extent that the ETF's investments are concentrated in a particular market, industry or asset class, the ETF may be susceptible to loss due to adverse occurrences affecting that market, industry or asset class.*

*Equity Security Risk: Equity securities are subject to changes in value and their values may be more volatile than other asset classes.*

*Issuer Risks: ETF performance depends on the performance of individual securities in which the fund invests. Changes in the financial condition or credit rating of an issuer of those securities may cause the value of those securities to decline.*

*Management Risk: As the ETF does not fully replicate the underlying index, it is subject to the risk that the fund company's investment management strategy may not produce the intended results.*

*Market Risk: The ETF could lose money over short periods of time due to short-term market movements and over longer term periods during market downturns.*

*Market trading Risks: The ETF faces numerous market trading risks, including the potential lack of an active market for the ETF shares, losses from trading in the secondary markets, and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the ETF's shares trading at a premium or discount to NAV.*

*Passive Investment Risk: The fund is not actively managed and the ETF manager does not attempt to take defensive positions in declining markets.*

*Securities Lending Risk: if the ETF lends securities there is risk it may lose money if the borrower fails to return the securities in a timely manner or at all. The ETF could also lose money if the value of the collateral provided for the loaned securities or the value of the investments made with cash collateral falls. These events could also trigger adverse tax consequences for the ETF.*

*Tracking Error Risk: The performance of the ETF may diverge from that of the Underlying Index.*

***As with any investment, a client could lose all or part of their investment and their performance could trail that of other investments. The portfolios are subject to principal risk, including Asset Risk, Concentration Risk, Passive Investment Risk, Securities Lending Risk, Tracking Error Risk, Equity Security Risk, Issuer Risk, Market Trading Risk and Management Risk. Other considerations include frequency of trading and potential tax consequences and personnel changes of any of the parties listed above, including the Adviser.***

#### **Item 9 – Disciplinary Information**

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

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

*The Adviser is a registered Broker/Dealer and effects all securities transactions. The Adviser does not permit clients to effect securities transactions through any other Broker/Dealer.*

*The Adviser may refer clients to AFS Wealth Management, LLC for insurance services.*

*The principals of the Adviser are also the principals of ArMA Membership Benefits, Inc.*

## **Item 11 – Code of Ethics**

### **Summarized Code of Ethics**

*(A copy of the Adviser's full Code of Ethics can be requested at any time)*

*This Summary establishes rules of conduct for all employees of the Adviser and is designed to govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that the Adviser owes a fiduciary duty to its clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid 1) serving their own personal interests ahead of clients, 2) taking inappropriate advantage of their position with the firm and 3) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.*

*The Code is designed to ensure that the high ethical standards long maintained by the Adviser continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of the firm continues to be a direct reflection of the conduct of each employee.*

*The Adviser is prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that the Adviser has an affirmative duty of utmost good faith to act solely in the best interest of its clients.*

*The Adviser is subject to the following specific fiduciary obligations when dealing with clients:*

- *The duty to have a reasonable, independent basis for the investment advice provided.*
- *The duty to obtain best execution for a client's transaction where the firm is in a position to direct brokerage transactions for the client.*
- *The duty to ensure that investment advice is suitable to meeting the client's individual objectives, needs and circumstances.*
- *A duty to be loyal to clients.*

*In meeting its fiduciary responsibilities to its clients, the Adviser expects every employee to demonstrate the highest standards of ethical conduct for continued employment with the Adviser. Strict compliance with provisions of the Code shall be considered a basic condition of employment with the firm. The Adviser's reputation for fair and honest dealing with its clients has taken considerable time to build. This standing could be seriously damaged as the result of even a single securities transaction being considered questionable in light of the fiduciary duty owed to its clients. Employees are urged to seek the advice of the firms' designated officer for any questions about the Code or the application of the Code to their individual circumstances. Employees should also understand that a material breach of the provisions of the Code may constitute grounds for disciplinary action, including termination of employment with the Adviser.*

*The provisions of the Code are not all-inclusive. Rather, they are intended as a guide for employees of the Adviser in their conduct. In those situations where an employee may be uncertain as to the intent or purpose of the Code, he/she is advised to consult with the firm's designated officer. The firm's designated officer may grant exceptions to certain provisions contained in the Code only in those situations when it is clear beyond dispute that the interests of the firm's clients will not be adversely affected or compromised. All questions arising in connection with personal securities trading should be resolved in favor of the client even at the expense of the interests of employees.*

*This Code is intended to comply with the various provisions of the Advisers Act, Investment Company Act of 1940, Securities Act of 1933, and the Securities Exchange Act of 1934.*

#### *Participation or Interest in Client Transactions and Personal Trading*

*The Adviser or any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to its clients. As these situations represent a conflict of interest, the following restrictions have been established in order to ensure its fiduciary responsibility:*

- 1. A Director, Officer or employee of the Adviser shall not buy or sell securities for their personal portfolio where the decision is substantially derived, in whole or in part, by reason of employment unless the information is also available to the investing public on a reasonable inquiry.*
- 2. The Adviser maintains a list of all securities holdings for the Adviser and anyone associated with the Adviser.*
- 3. All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.*

4. *The Adviser emphasizes the unrestricted right of its clients to decline to implement any advice rendered.*
5. *The Adviser requires that all Directors, Officers and employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.*
6. *Any Director, Officer or employee not in observance of the above is subject to termination.*

*Since the Adviser is also a Broker/Dealer, its clients can open non-managed accounts. These accounts may be charged brokerage commissions when a trade is placed. However, purchases are limited to securities offered through the Adviser. Other suitable investments might be available through other brokers.*

#### **Item 12 – Brokerage Practices**

*The Adviser does not have any soft dollar arrangements. Any client can request research available from the Adviser at any time.*

*Research, Products and Services.* *The research, products and services that the Adviser provides are Value Line, Morningstar, Reuters, Richard C. Yeung's newsletter, Wall Street Journal, and other newspaper and magazine publications. These products and services are necessary to research a stock or mutual fund, to prepare understandable and usable holding reports, and to be knowledgeable on current issues that relate to industries.*

*Commissions.* *There are no commissions charged on managed Equity Income accounts that have been opened since July 1998 or those existing managed Equity Income accounts that elected to change to the new management fee structure of 2% per annum. In May 1998 all Equity Income accounts were given a comparison of management fee structures to aid in the decision of whether to switch. Although the new structure was advantageous to most managed Equity Income accounts, some clients refused to switch.*

*In some managed accounts, in general, there is a transaction fee charge of \$21.00 per trade and/or a fee charge of \$9.85 per trade.*

#### **Item 13 – Review of Accounts**

*Merrill Sauriol reviews all Equity Income and Income managed accounts for investment objectives and strategies not less often than weekly. Securities positions are monitored daily during market hours.*

*Kirk Tushaus reviews Asset Allocation, his AFS Dynamic Preservation and Strategic Growth and his AFS Strategic Equity Allocation managed accounts and positions at least weekly and more frequent when the market dictates.*

*JP Holyoak reviews his AFS Dynamic Preservation and Strategic Growth and AFS Strategic Equity Allocation managed accounts and client positions at least weekly and more frequent when the market dictates.*

*Advisory clients may be contacted on a quarterly basis for any comments or questions regarding their account. Advisory clients may request a review at any time to inform the advisors of new or changed circumstances which might affect investment strategies.*

*Upon execution of a trade, confirmation of the trade is mailed or emailed to the client by the Adviser's clearing firm. Monthly statements, or quarterly statements depending on trading activity, are also mailed or emailed to clients by the Adviser's clearing firm. Performance reports are mailed on a quarterly basis or sooner if requested by the client.*

#### **Item 14 – Client Referrals and Other Compensation**

*The Adviser may, at any given time, have agreements with CPA's concerning client referrals. If a client is managed and is referred by a CPA that has a Series 7 license, the CPA will receive up to 30 basis points of the client's quarterly management fee.*

#### **Item 15 – Custody**

*Clients will receive at least quarterly statements from the Adviser's clearing firm. The Adviser does not provide it's own statements to the client.*

#### **Item 16 – Investment Discretion**

*The Adviser usually receives a Limited Power of Attorney from each advisory client constituting and appointing the Adviser as agent and attorney-in-fact with the authority to buy, sell, and trade stocks, bonds and any other securities. The Limited Power of Attorney is not limited as to the amount of securities to be bought or sold. When selecting securities and determining amounts, the Adviser observes the investment policies, limitations and restrictions of the clients for which it advises.*

#### **Item 17 – Voting Client Securities**

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

**Item 18 – Financial Information**

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