



This Firm Brochure provides information relating to the qualifications and business practices of ACORN FINANCIAL ADVISORY SERVICES, INC. If you have any questions about the contents of this Firm Brochure, please contact us at: (703) 293-3100, or by email at: (cont'd) [acom@acom-financial.com](mailto:acom@acom-financial.com). The information in this Firm Brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Additional information about ACORN FINANCIAL ADVISORY SERVICES, INC. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Acorn Financial Advisory Services, Inc.**

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## Material Changes

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### Annual Update

Acorn Financial Advisory Services, Inc. (AFAS) sends this brochure at least annually.

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### Material Changes since the Last Update

The material changes in this brochure from the most annual updating amendment of Acorn Financial Advisory Services, Inc. (AFAS) on March 25, 2021 are described below. Material changes relate to Acorn Financial Advisory Services, Inc. (AFAS) policies, practices or conflicts of interests.

Acorn Financial Advisors Service update their branch office (see front page).

We will ensure that you receive a summary of future material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 of each year. You will receive the summary of material changes, if any, no later than April 30 of each year. We may also provide other ongoing disclosure information about material changes as necessary.

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### Full Brochure Available

To receive a copy of AFAS's most recent brochure, please call (703) 293-0000 or e-mail [acor@acornfinancial.com](mailto:acor@acornfinancial.com) and a copy will be sent to you without charge. You may also receive a copy of the most recent brochure and additional information regarding AFAS, from [www.adviserinfo.gov](http://www.adviserinfo.gov), under Investment Adviser Search, or on our website [www.acornfinancial.com](http://www.acornfinancial.com) under Disclosure.

## Table of Contents

Material Changes	2
Table of Contents	2
Advisory Business	3
Fees and Compensation	6
Performance-Based Fees	6
Types of Clients	10
Methods of Analysis, Investment Strategies and Risk of Loss	10
Disciplinary Information	11
Other Financial Industry Activities and Affiliations	12
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Brokerage Practices	1
Review of Accounts	14
Client Referrals	14
Custody	15
Investment Discretion	15
Voting Client Securities	16
Financial Information	16

## Advisory Business

### Firm Description

Acorn Financial Advisory Services, Inc. (AFAS) is a Registered Investment Adviser registered with the U.S. Securities and Exchange Commission (SEC). AFAS is a Virginia Corporation founded in 1996 whose principal office is in Reston, VA. AFAS is affiliated with Acorn Financial Services, Inc., a subsidiary Virginia Corporation. James M. Ambaccini, CFP®, 100% stockholder of AFAS.

AFAS provides personalized confidential financial planning and investment management services, including pension and profit sharing plans, trusts, estates, charitable organizations and businesses. Investment advice is an integral part of financial planning. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of challenges, budgeting, cash flow analysis and debt management, charitable planning, college planning, estate wealth transfer, financial coaching, insurance planning and analysis, investment planning and analysis, long term care planning, estate investment analysis, retirement needs analysis, tax planning, and various business (qualified and non-qualified employee/executive benefit planning).

AFAS is a fee-for-service financial planning and investment management firm. AFAS does not charge commissions. Clients have full discretion to implement advisory recommendations through any firm. There is no obligation to effect transactions through the Adviser in its capacity as a Registered Representative. However, should a client wish to use an Investment Adviser of AFAS for implementation services of commissionable holdings, the firm may recommend a broker-dealer. AFAS does not warrant or represent that commissions for transactions implemented through said broker-dealer will be lower than commissions paid if the client used another brokerage firm.

AFAS provides subadvisory investment management services to Registered Investment Advisers and their clients. AFAS may be engaged to build and run model portfolios for investor accounts contracted through appropriately registered advisers. Additionally, these same strategies may be available to clients of AFAS and implemented through representatives of AFAS.

AFAS currently offers platforms for investment management services to AFAS. AFAS builds and develops model strategies for clients and directly manages these portfolios utilizing Black Diamond for performance reporting and fee calculation. AFAS also engages Buckingham Strategic Partners (BSP) as a third party platform where BSP provides administrative and office support as well as model portfolios for clients to select from. AFAS also recommends clients consider management services and strategies available through Assetmark, a wrap fee program offering access to a variety of third party money managers.

Investment advice is provided by the Investment Adviser. AFAS does not act as a custodian of client assets. The client always maintains asset control. Investment Advisers may make specific recommendations pursuant to a financial plan or portfolio. There may be potential conflicts of interest in recommending one investment alternative over another.

As of December 31, 2021 AFAS manages approximately \$1,276,723,000 in assets for 1,529 clients.

### Types of Agreements and Services Offered

AFAS provides services through its Investment Advisers under the following service names:

- ❖ Financial Planning and Analysis Contract
- ❖ Annual Maintenance Contract
- ❖ Portfolio Management Contract
- ❖ Subadvisory Contract

\*When contracted, Pension Planning Services are structured under one of the three agreements listed above and described in detail below.

### FINANCIAL PLANNING AND ANALYSIS CONTRACT

The AFAS Financial Planning and Analysis Contract is offered to discuss, design, and review specific financial planning issues within a stated time period. This service is focused on advice and consultation in one or more stated areas of concern, such as budgeting, cash flow analysis

and debt management, charitable planning, college planning, estate planning, estate wealth transfer, financial coaching, insurance planning, investment planning and analysis, long-term care analysis, real estate investment analysis, retirement needs analysis, tax planning, and various business issues (qualified and nonqualified employee/executive benefit plans). The High Investment Adviser may also provide specific consultation regarding investments and financial decisions.

An Investment Adviser may present the key aspects of certain investment strategies in general terms. Within this context, the Investment Adviser does not provide specific tax advice and recommendations. All tax questions or strategies should be discussed with the client's tax professional. In the event a client wishes to retain a qualified Investment Adviser for legal and or tax service outside the scope of the planning agreement, those services must be provided in a separate agreement between the client and Investment Adviser.

Financial planning and analysis consultation services are provided for a fixed fee. This fee can be reviewed annually at the client's discretion. AFAS provides client flexibility and optionality around when payments for the fixed fee are made, biannually, semiannually or quarterly.

## MAINTENANCE CONTRACT

The AFAS Maintenance Contract is for consultations with an Investment Adviser with a term period of 12 or 24 months. This service establishes an ongoing working relationship between the Investment Adviser and the client to provide ongoing planning meetings, telephone consultations, emails, participation in educational seminars, information regarding market and economic conditions, and Internet access to investment accounts. The maintenance contract fee is a continuation of the financial planning and analysis contract and the ongoing charge for the service is included in the fees charged under the portfolio management agreement.

## PORTFOLIO MANAGEMENT

The AFAS Portfolio Management Contract is for clients needing a personalized approach to implementing an individualized strategy designed to meet their investment goals and objectives through portfolio monitoring and quarterly reporting. The Investment Adviser develops and recommends a unique strategy based on the knowledge, experience, and understanding of the client's needs. This individualized approach allows the Investment Adviser and client to work together to achieve the client's investment goals. Initially, the client is provided with regular planning meetings, telephone consultations, emails, participation in educational seminars, articles and information regarding market and economic conditions and Internet access to investment accounts. AFAS extends its maximum latitude to the Investment Adviser and client, with this individualized approach as to the method in which the account will be managed. Prior to the Investment Adviser reviewing a client's current investment portfolio, obtains necessary information regarding the client's current and expected financial situation and makes recommendations to the client regarding their portfolios. Additionally, the Investment Adviser will assess the client's financial situation, including investment history, goals, and objectives, and special interests or concerns.

AFAS offers several Portfolio Management programs. Within these programs, AFAS Investment Advisers assist clients in making investment decisions that are appropriate based on their unique goals and objectives. The different programs offer clients a personalized approach to implementing an investment strategy through asset allocation, portfolio consolidation, and reporting. The client will receive a contract from the Portfolio Management company describing their fees and services before any accounts are opened by the AFAS Investment Adviser. These third-party management fees will be added to any fees paid to AFAS in conjunction with the client's Portfolio Management program.

AFAS offers the following Portfolio Management program platform:

### Programs available directly through AFAS

**CUSTOM PORT**—AFAS offers investment advisory management providing customized personal accounts using individual securities, ETFs, bonds, unit trusts, and non-traded public offerings. A quarterly rebalancing service is available and is designed to assess the change in percentage holdings of each asset class within a portfolio in relation to the total account holdings. Sales are made from the expanded classes (best performing) and purchases are made in the underperforming classes. This service closely maintains the target asset class allocation throughout the overall portfolio. This allocation is determined at the onset of the investment management engagement, and it is reviewed periodically to confirm that it remains appropriate for the client.

The quarterly rebalancing service does not require a preauthorization agreement to trade the approved mutual funds and any individual securities that may be held in the account, consistent with the asset allocation approved by the client and any investment restrictions requested. Investment Advisers may rebalance accounts quarterly to within a percent of the allocation in each asset class agreed upon by the client. In the Investment Adviser's sole discretion, they may choose not to rebalance because the funds involved are economically

insufficient additional fees and expenses are anticipated to impact, account cash flows there may be a need to suspend that would impact the decision. A client may alternatively elect to implement their own asset allocation program by specifying alternative investments to be used in conjunction with their portfolio. In certain circumstances, clients of AFAS may have investments existing in AFAS accounts that such clients wish to transfer without liquidating the investments into a new or existing account. In this case, the Investment Adviser may or may not offer advice on the types of investment being transferred. The Investment Adviser, in their own discretion, may allow the client to transfer such investments to an account and adjust the account's asset allocation program, in whole or in part, proximate to the Investment Adviser's recommendation. The funds, securities, and percentages may vary somewhat from the regular asset allocation program, but the strategy and the structures are similar.

Clients have no obligation to act upon the Investment Adviser's recommendation. If a client elects to implement the Investment Adviser's recommendation, the client is under no obligation to effect the transactions through AFAS, any of their affiliates, or any other company recommended by the Investment Adviser. If a client wishes to implement the plan through AFAS or any of its affiliates, the client will be required to sign an agreement with AFAS or affiliated companies as appropriate.

Certain Adviser Representatives create and manage active portfolio models and strategies. Examples of these include the Strategic Alpha Core model and the Strategic Alpha Opportunities model. Descriptions of these models are available upon request. It is the job of AFAS and its adviser representatives to discuss with clients whether allocation to these strategies may be appropriate.

**SUBADVISORY AGREEMENTS** AFAS offers subadvisory investment agreement services to other non-affiliated appropriately registered investment advisers. This service is for other registered investment advisers selecting to have their clients participate and invest in certain investment model strategies developed by investment adviser representatives of AFAS. In these instances, affiliated investment advisers will enter into a Subadvisory Agreement with AFAS, thereby appointing AFAS and its representatives to be the investment manager for a designated portion of the Adviser's designated client assets or accounts. Under this agreement, AFAS as Subadviser is responsible for the investment and reinvestment of assets of each account in accordance with the Portfolio Strategy selected by the Adviser for each designated account.

Programs available through Putnam Strategic Partners Party Platform

**STRUCTURED** Investment Asset Allocation platform is specifically designed to hold SA Funds in target allocations set upfront by the Investment Adviser and client. Asset Class Investing is a passive investment approach that draws on the research of some of the academic community's most innovative and respected thinkers and economists. As its name suggests, rather than trying to pick stocks or industry sectors, asset class investing focuses on asset classes (which are simply any group of securities (such as U.S. Large Companies and Emerging Markets) that exhibit similar risk and return investment characteristics and perform similarly in any given market environment). Since asset allocation has a significant impact on investment returns, asset class investing carefully controls the investments included in each Asset Class, potentially giving investors true market returns than similar strategies. While a number of investment vehicles can be employed to implement Asset Class Investing, using institutional mutual funds specifically designed for the asset class characteristics can greatly simplify the process.

**ADVANTAGE**– Investment Asset Allocation platform may hold separate investment securities and Asset Class Funds (as described above in "Structured"), and will be assigned to specific allocation classes and managed as part of an overall allocated account.

**SELECT** Investment Asset Allocation platform may hold separate investment securities and institutional investments along with Asset Class Funds (as described above in "Structured"), and will be assigned to specific allocation classes and managed as part of an overall allocated account.

It is important to note that within the Select Agreement, the use of SA Funds in these portfolios has the potential to increase the net fee to the investment adviser. This could create a conflict of interest in the recommendation of SA funds within Select Agreement contracts managed and administered via the BSP platform. It is the intent of AFAS and its adviser representatives to avoid such conflicts of interest and to keep the best interests of the client at the forefront of all recommendations. AFAS's select agreement accounts for the presence of SA funds and works to make sure that the net fee to the firm is not increased by utilization. Additionally, AFAS has created separate disclosure documents for clients in Select Agreements who own SA Funds to acknowledge the potential for this conflict of interest.

Programs available through Assetmark

Assetmark is a company offering wrap fee programs. In a wrap fee account, clients invest in one or more strategies managed by a third party investment manager. The costs of this management, administrative expenses, trading expenses, and investment advisory fees are called

and assessed as comprehensive fee level by Acorn for the bundling of these services. Adviser representatives recommend Acorn to clients and assist in selecting investment managers to use the platform. AFAS developed policies and procedures to help educate and inform the client about the options outside of the wrap fee program structure that may provide options at potentially lower overall expenses

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## Termination of Agreements

Any AFAS Agreement may be terminated at the client's discretion at any time by giving written notice. Any AFAS agreement may be terminated with no fee or penalty within the first 30 days after entering into the agreement. The Portfolio Management Agreement may be terminated by the client or the Investment Adviser by providing written notice to the other party. Termination will occur 30 days thereafter. Fees will be billed on a pro rata basis in advance for the portion of the calendar quarter completed as of the date of termination. The portfolio value as of the last day of the immediately preceding full calendar quarter is used as the basis for the final fee computation, adjusted for the number of days during the current billing quarter prior to termination.

AFAS reserves the right to stop work on any account that is more than 60 days overdue. In addition, AFAS reserves the right to terminate any financial planning engagement where the client has fully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in AFAS's judgment, to provide proper financial advice. A pro portion of fees collected in advance will be refunded within 90 days.

## Fees and Compensation

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### Description

The initial meeting with an Investment Adviser is complimentary and is considered an exploratory interview to determine the extent to which a financial planning engagement, investment management, relationship, pension planning services may be beneficial to the prospective client.

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### Fee Billing

#### FINANCIAL PLANNING AND ANALYSIS CONTRACT

The fee for a Financial Planning and Analysis Contract is a flat fee and is used to discuss, design and construct an investment Policy Statement outlining the goals and objectives, the time horizons and risk tolerances for client engagement. The contract may be ongoing but is usually limited to a specific period. AFAS has a stated firm minimum financial planning fee of \$2,400. AFAS has a stated firm maximum financial planning fee of \$50,000. Clients may also engage AFAS on an hourly basis. The hourly rate for consultations with the adviser is \$595-\$1,095 and the hourly rate for staff time is \$55. There is a minimum two-hour charge for all work billed hourly.

#### MAINTENANCE CONTRACT

The Annual Maintenance Contract provides continuity following the initial Financial Planning and Analysis contract for a lesser fee for ongoing consultations, times, annual updates and reviews with financial advisers. These contracts are used both for business and individual/family engagements where the Investment Policy Statement is already in place and continuous monitoring and updates are requested. No asset management services are offered through the maintenance contract. Fees for investment management are added in addition to the maintenance contract and are structured under a separate portfolio management contract.

#### PORTFOLIO MANAGEMENT CONTRACT INVESTMENT MANAGEMENT PROGRAM

There are several different platforms available for client portfolios that are designated by contract as investment management. This means the portfolio will be managed to meet the allocation that is agreed to by the client. Depending on the client's objectives, risk tolerances, management style attitudes, goals, time horizons and client suitability, the financial adviser can help with recommendations to choose



appropriate portfolio options management approach. All fees and expenses are disclosed to client before engaging the management platform of choice.

The following Fee Schedule applies to all contracts detailed below, unless otherwise noted:

Fee Schedule			Quarterly	Annually
For accounts valued up to	\$1,000,000		0.425%	1.70%
For accounts valued from	\$1,000,001 to	\$5,000,000	0.250%	1.00%
For accounts valued from	\$5,000,001 to	\$10,000,000	0.200%	0.80%
For accounts valued from	\$10,000,001 to	\$20,000,000	0.175%	0.70%
For accounts valued from	\$20,000,001 to	\$50,000,000	0.150%	0.60%
For accounts valued from	>\$50,000,000		0.125%	0.50%

The custodian of the account will provide all clearing, trading, and brokerage services for each account. There may incur additional brokerage commissions, "tick charges" and other similar expenses in connection with operating, maintenance and closing of brokerage account(s).

Administrative and advisory expenses assessed for clients participating in the Buckingham Strategic Partners Platform

## STRUCTURED

AFAS charges fees for the asset allocation and portfolio reporting service for STRUCTURED accounts based upon the value of assets held in each account on a negotiated percentage of the market value of assets under management. Fees are computed quarterly based upon the value of the account at the end of the quarter. Fees are paid in advance for the upcoming quarter from a designated investment account. The maximum fee to be received by AFAS is 17% per annum (4.25% per quarter).

## ADVANTAGE

A client may elect to implement the own asset allocation program by using alternative investments to be used in conjunction with the DFSA Funds using the ADVANTAGE service. In certain instances, clients of AFAS may have investments in AFAS accounts that they wish to transfer, without liquidating the investments, to a new or existing ADVANTAGE account. In this case, the Investment Adviser may or may not offer advice as to whether the investment being transferred to the ADVANTAGE account is in their own discretion. The client may choose to transfer such investments to the ADVANTAGE account and adjust the asset allocation program, in whole or in part, to approximate the Investment Adviser's recommendation. The funds and percentages may vary somewhat from the STRUCTURED asset allocation program, but the strategy and structures are similar.

AFAS charges fees for the asset allocation and portfolio reporting service for ADVANTAGE accounts based upon the value of assets held in each account. The maximum fee to be received by AFAS is 1.7% per annum (0.425% per quarter).

In addition to the Investment Adviser fees shown above, there may be an administration fee charged by the party based upon the value of assets held in each account, excluding any SA Funds holding, administration of ADVANTAGE accounts, on a percentage of the market value of such assets under management. The Administration Fee Schedule shown below is charged on a different class of assets and is in addition to the AFAS Fee Schedule shown above.

Administration Fee Schedule			Quarterly	Annually
For accounts valued up to	\$500,000		0.100%	0.40%
For accounts valued from	\$500,001 to	\$1,000,000	0.050%	0.20%
For accounts valued from	\$1,000,001 to	\$5,000,000	0.033%	0.15%
For accounts valued from	>\$5,000,001		0.025%	0.10%

(\*This fee is not applied to assets invested in share SA Funds and only levied for Advantage accounts)



## SELECT

A client may elect to implement their own asset allocation program by placing investments to be used in conjunction with DFA funds using the SELECT contract. In certain circumstances, clients of AFAS may have investments in existing AFAS accounts that such clients wish to transfer, without liquidating them, to a new or existing SELECT account. In this case, the Investment Adviser may or may not offer advice on types of investment being transferred. The Investment Adviser in their own discretion may allow the client to transfer such investments to a SELECT account and adjust their asset allocation program, in whole or in part, to approximate the Investment Adviser's recommendation. The fund and percentages may vary somewhat from a regular asset allocation program, but the strategy and the structures are similar.

AFAS charges fees for the asset allocation and portfolio reporting service of SELECT accounts based upon the value of assets held in each account on a negotiated percentage of the market value of such assets under management. The maximum fee to be received by AFAS is 1.7% per annum (0.425% per quarter). The Administration Fee is deducted from the Adviser Fee. AFAS fees are assessed only on accounts through which it executes and directs transactions on the client's behalf.

It is important to note that certain Investment Adviser Representatives of AFAS are also Registered Representatives of the Strategic Financial Alliance, Inc. Certain of these Registered Representatives also sharehold in the Strategic Financial Alliance, Inc. (SFA). SFA and Buckingham Strategic Partners (BSP) have contractually engaged a separate RIA platform agreement that AFAS is not a party to. Via this agreement, SFA receives compensation of 0.05% of total AFAS client assets on the BSP platform. Certain investment adviser representatives of AFAS may have a conflict of interest in recommending the BSP platform to clients if they are also Registered Representatives and shareholders of SFA. A similar disclosure can be found on any Investment Adviser Representative's ADV Part 2B, if applicable.

*Advisory agreement for AFAS investment management services*

## CUSTOM

AFAS charges fees for the administration of portfolio management based upon the value of assets held in each account. Fees are computed and paid in advance quarterly based upon the value of the account at the end of the quarter. The payment for the completed period. The maximum fee to be received by AFAS for the non-discretionary management is 1.7% per annum (0.425% per quarter).

## COLLEGE ACCOUNTS

AFAS charges fees for the administration of portfolio management based upon the value of assets held in each account. Fees are computed and paid in advance quarterly based upon the value of the account at the end of the quarter. Acorn does not disclose the fee paid by the 529 sponsor and set standard to the firm. The maximum fee to be received by AFAS for college accounts is 1.0% per annum (0.25% per quarter).

## SUBADVISORY AGREEMENT FOR PORTFOLIO MANAGEMENT SERVICES

Subadvisory platform services are provided for clients of AFAS who elect to participate in these model strategies are offered at a cost ranging from 0.25% to 1.50%. When these strategies are implemented in the accounts of clients of AFAS, the cost of allocating to the strategy will result in the client's overall fee with AFAS at the maximum fee and/or the fee schedule previously detailed in the client's portfolio management contract. When these strategies are implemented in accounts managed by non-affiliated Registered Investment Advisers, they are considered a separate investment and it is the responsibility of the other firm to establish policies and procedures designed to make sure that the client's all-in costs of investment are reasonable and in line with their own firm filings.

## Additional Information

Additional deposits of funds or any other securities into the client's account will be subject to the same fees, prorated based on the number of days remaining in the quarter. If during a quarter any assets in a client's account are sold or proceeds are used to purchase shares of one or more S&P 500 Funds, no reimbursement will be remitted for any administrative fees already charged on those assets for that quarter.

AFAS Investment Advisers via Buckingham Strategic Partners Advisor Services provide quarterly rebalancing for client accounts through the STRUCTURED ADVANTAGE and SELECT Services. These services require authorization agreement in order to trade mutual funds, asset class funds and individual securities that may be held in these accounts consistent with the asset allocation and investment restrictions requested by the client.

The Investment Adviser may rebalance accounts quarterly within seven percent of the target allocation in each asset class agreed upon with the client. The Investment Adviser's sole discretion; however, he or she may choose not to rebalance accounts if the funds involved are economically sufficient, additional fees and expenses are anticipated, or other data suggests that rebalancing is not advised.

DFA and SA Funds prospectuses are available for download at their websites at <http://www.dfa.us.com> and <http://www.safunds.com>. Clients have no obligation to act upon the Investment Adviser's recommendations. If a client elects to follow the Investment Adviser's recommendations, the client is under no obligation to implement these recommendations through AFAS. Third-party money managers like Buckingham Strategic Partners, a wrap fee program like Assetmark, a broker-dealer or any other company recommended by the Investment Adviser. If a client wishes to implement the plan through AFAS or its affiliates or strategic partner, the client will be required to sign an agreement with AFAS and/or affiliated companies as appropriate.

## Additional Information Regarding Commissions

Some Investment Advisers may also be Registered Representatives or Registered Principals of The Strat Financial Alliance, Inc., a broker-dealer located in Atlanta, GA or Great Point Capital, LLC, a broker-dealer located in Chicago, IL. As Registered Representative or Registered Principal, the Investment Adviser Representative may receive commissions for the purchase of funds, direct participation programs, security transactions on behalf of clients. Commissions for mutual funds and direct participation programs are generally fixed and included in the purchase price. Commissions on security transactions based on the exchanges or other applicable commissions. Some Investment Adviser Representatives are also licensed Life and Health Insurance Agents. They receive commissions on the purchase of insurance products.

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## Other Fees

The custodian of the account will provide clearing, trading, and brokerage services for each account. The client may incur additional brokerage commissions, "tickets" charge in interest and other similar expenses in connection with operating, maintaining and closing of brokerage accounts.

AFAS, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

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## Expense Ratios

Mutual funds and Exchange Traded Fund (ETF) generally charge a management fee for their services as investment managers. This management fee is called an expense ratio. For example, an expense ratio of 0.20 means that the mutual fund company charges 20% for their services annually. These fees are in addition to fees paid by the client to AFAS and are internal costs passed on to the fund selected.

Performance figures quoted by mutual fund companies in various publications are net of mutual fund fees and have been deducted.

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## Termination of Agreements

The Financial Planning Agreement may be terminated at the client's discretion any time by giving written notice. AFAS reserves the right to stop work on any account that is more than 90 days overdue. In addition, AFAS reserves the right to terminate any financial planning engagement where a client has willfully concealed or refused to provide pertinent information about financial situations when necessary and appropriate, in AFAS's judgment, to provide proper financial advice. Any unused portion of fees collected in advance will be refunded within 90 days. Any client may terminate a planning agreement at any time within the first 5 days following the execution of the contract.

The Financial Services and Financial Adviser Agreement may be terminated by the client or the Investment Adviser by providing written notice to the other party. Termination will occur 30 days thereafter. Fees will be billed on a pro rata basis for the portion of the calendar quarter completed as of the date of termination. The portfolio value on the last day of the immediately preceding full calendar quarter is used as the basis for the final fee computation adjusted for the number of days during the calendar quarter prior to termination.

## PerformanceBased Fees

### Sharing of Capital Gains

Fees are not based on sharing capital gains or capital appreciation of managed securities. AFAS does not permit performance based fee structures because of the potential conflicts of interest. Performance based compensation could create an incentive for the adviser to recommend an investment that may be a higher degree of risk to the client.

## Types of Clients

### Description

AFAS generally provides investment advice to individuals, families, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Client relationships vary in type and length of service. Subadvisory Investment Management Services are offered to non-affiliated Registered Investment Advisers who are looking to allocation of their clients' assets to a particular platform strategy.

### Account Minimums

AFAS services are offered in fee and compensation. Certain programs, including the portfolio management, STRUCTURED ADVANTAGE, SELECT, and CUSTOM, require an initial minimum account asset level of currently \$1,000,000, which equates to a minimum annual fee of \$17,000. These minimum fee and minimum account asset levels are subject to negotiation.

Depending upon circumstances where assets values have diminished significantly below account minimums due to withdrawals or other circumstances, AFAS may substitute Financial Planning and Analysis Services contract on an hourly basis in place of the Portfolio Management Contract. This would only be considered on a temporary basis after discussion with the client.

## Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis. The main sources of information include financial newspapers and magazines, research materials prepared by third parties, corporate rating services, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

Other sources of information may include Morningstar fund information, Morningstar stock information, Ycharts, and various internet resources.

### Investment Strategies

Unless otherwise instructed by the client, Investment Advisers will generally create portfolios that are globally diversified to control the risk associated with concentrated positions in markets. The investment strategy for each client is based upon the objectives set by the client during consultations. The client may change these objectives at any time with written notice to the Investment Adviser.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and options writing. Subadvisory investment management services offered by affiliated and affiliated investment advisers are used to model strategies that are intended to be actively managed for the purpose of trying to outperform a given benchmark or index over both short and long time horizons.

The STRUCTURED VANTAGE, SELECT, programs through SP and the CUSTOM Portfolio management programs directly offered through AFAS are based on publicly available research and reports regarding individual securities, securities issues, investment strategies, and performance of various classes. AFAS also uses asset allocation software which is limited to use by Investment Advisers.

As referenced earlier in this firm brochure AFAS has also developed the Strategic Alpha Core portfolio model and the Strategic Alpha Opportunity portfolio model for consideration by clients. Additional strategies may also be available outlined in greater detail in materials that may accompany this brochure. For a complete list of available portfolio models provided directly through AFAS, please call 203-293-3300 or submit writing to 1875 Campus Center Drive, Suite 100, Westville, CT 06091.

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## Risk of Loss

All investment programs have certain risks that are borne by the investor. Our investment policy periodically reviews and considers the risk of loss.

**Interest Rate Risk** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, the price of existing bonds becomes less attractive, causing their market value to decline.

**Market Risk** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.

**Inflation Risk** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power erodes at the rate of inflation.

**Currency Risk** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's home country. This is also referred to as Exchange Rate Risk.

**Reinvestment Risk** Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.

**Business Risk** These risks are associated with a particular industry or a particular company within an industry. For example, oil drilling companies are dependent upon finding oil and then refining it. This is a lengthy process that must be completed to generate profit. These companies inherently carry a higher risk of profitability than an electronics company, which generates its income from a steady stream of customers who buy electronics regardless of the economic environment.

**Liquidity Risk** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Financial Risk** Excessive borrowing to finance a business' operations raises the risk of a decrease in profitability, because the company must meet the terms of its loan obligations in good times and bad, before distributing profits. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and a declining market value.

\*This list may not be fully inclusive.

## Disciplinary Information

### Legal and Disciplinary

Neither AFAS nor any of its Investment Advisers have any legal or disciplinary filings involving current or former clients.

## Other Financial Industry Activities and Affiliations

### Financial Industry Activities

Acorn Financial Advisory Services, Inc. (AFAS) is a Registered Investment Adviser registered with the U.S. Securities and Exchange Commission. AFAS is a Virginia Corporation whose principal offices are located in Reston, VA. AFAS is affiliated with Acorn Financial Services, Inc., a subsidiary Virginia Corporation.

AFAS is not registered as a securities broker-dealer, an account custodian, a futures commission merchant, a commodity pool operator or a commodity trading advisor. Certain investment adviser representatives are also registered representatives of broker-dealers and certain investment adviser representatives are licensed insurance agents.

### Affiliations

AFAS has arrangements that are material to its advisory and its clients:

**Acorn Financial Services, Inc. (AFS)** is a payroll and bookkeeping entity owned by James M. Gambaccini, CFP®. AFAS employs administrative personnel who directly and indirectly support advisory operations of AFAS.

**Acorn Financial Services** is a marketing DBA used in certain advertising materials for AFAS as a way to describe the firm's approach to comprehensive financial planning for its clients.

**Acorn Tax Planning, Inc.** is a public accounting and tax firm owned by James M. Gambaccini, CFP®.

**Acorn Properties, Inc.** is a management and investment entity, an indirect real estate company owned by James M. Gambaccini, CFP®.

**Acorn Capital, Inc.** provides capital to private companies and is owned by James M. Gambaccini, CFP®.

Some Investment Advisers are also Registered Representatives of various Broker-Dealers. As Registered Representatives or Registered Principals, Investment Advisers may receive commissions for the purchase of mutual fund direct participation programs, private placements, or security transactions on behalf of their clients. Commissions for mutual funds, private placements and direct participation programs are generally fixed and included in the purchase price. Commissions on security transactions are based on the exchange or other applicable commission rates. Some Investment Advisers are also licensed Life and Health Insurance Agents. They receive commissions on the purchase of insurance products.

## Code of Ethics, Participation in Client Transactions and Personal Trading

### Code of Ethics

It is the policy of AFAS that its Investment Adviser Representatives shall at all times place the interest of clients before the interests of any other person. All personal securities transactions of an Investment Adviser shall be conducted in a manner as to attempt to avoid any actual or potential conflicts of interest, any abuse of a position of trust and responsibility or to operate as a dealer. AFAS must use responsible diligence and institute procedures reasonably necessary to prevent violations of its Code of Ethics. Clients or prospective clients of AFAS may obtain a copy of AFAS's Code of Ethics without charge by submitting a request to the Reston office of AFAS.

### Participation in Client Transactions

Investment Adviser Representatives may buy and sell securities that they also recommend to clients. Assuming similar investment strategies, client transactions are executed first and further measures may be taken to place clients' interest ahead of that of AFAS Investment Advisers. Commensurate with its activities, every Investment Adviser Representative associated with AFAS must submit an initial holdings report within 10 days of the date he or she becomes associated with AFAS. Thereafter, every Investment Adviser Representative associated with AFAS must submit a quarterly holdings report, identifying holdings and brokerage accounts maintained in the Investment Adviser Representative's name, any family member, any Trust of which the Investment Adviser Representative or any family member is a Trustee or in which the Investment Adviser may have direct or indirect beneficial interest or ownership. The Investment Adviser Representatives must also submit quarterly transaction reports and annual holdings reports as well as long as they remain affiliated with AFAS.

### Personal Trading

The Chief Compliance Officer and Registered Principal of AFAS, James M. Gambacchi, CFP® James M. Gambacchi, reviews all Investment Adviser trades each calendar quarter. Personal trading reviews help to ensure that the personal trading of any Investment Adviser Representative does not affect the markets, and that clients of the firm receive priority and preferential treatment ahead of any Investment Adviser Representative.

## Brokerage Practices

### Brokerage Firm Affiliation

Clients have full discretion to implement advisory recommendations through any firm. There is no obligation to effect commissionable transactions through the Investment Adviser in their capacity as a Registered Representative. However, should a client wish to use an Investment Adviser of AFAS for implementation services of commissionable holdings, the firm will recommend one of various broker-dealers. AFAS does not warrant or represent those commissions for transactions implemented through said broker-dealer will be lower than commissions available if the client used another broker-dealer.

Investment Advisers acting as Registered Representatives of a broker-dealer may recommend clients to invest in a wide range of industries through the purchase of limited partnerships, real estate investment trusts ("REITs"), or other traded instruments. These industries include, without limitation, precious metals, real estate, non-trading real estate, investment trusts, alternative fuels, oil and gas, utilities, energy, futures, equipment leasing and development programs, business development corporations, and tax-advantaged limited partnerships.

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## Best Execution

It is the policy of AFAS that its Investment Adviser Representatives shall at all times place the interests of clients before the interests of any other persons. All personal securities transactions of Investment Advisers shall be conducted in a manner to avoid any actual or potential conflicts of interest, any abuse of a position of trust and responsibility, and to operate as a deceit.

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## Marketing Dollars

Investment Advisers may recommend that clients purchase one or more funds which are managed and administered by third party money managers. Investment Advisers could have conflicts of interest in these recommendations, because Investment Advisers may receive reimbursement of certain marketing expenses from third party money managers. However, AFAS Investment Advisers are subject to, and intend to comply fully with, standards of fiduciary duty that require them to act in the best interests of the clients when making recommendations. Total marketing dollars received by AFAS equal less than one half of one percent of annual gross revenues.

## Review of Accounts

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### Periodic Reviews

Investment Advisers review clients' portfolios on a regular basis and have meetings with clients in person, by telephone, video conference or email on an agreed upon basis, or at least annually. Investment Advisers determine each client's target asset allocation schedule by calculating historical rates of return, investment horizons, and risk tolerance for each client's expressed financial goals. Each client should notify the Investment Adviser of any changes in their financial situation, needs or investment objectives, suitability of the target asset allocation schedule developed for them. The Investment Adviser will periodically confirm the appropriateness of the allocation in the context of regular review meetings.

Transactions in accounts are reviewed on a going basis to ensure they reflect the needs of the client. Investment Adviser Representatives also review client portfolios each calendar quarter to determine if they are positioned to bring them closer to the stated target allocations. In addition, Investment Adviser Representatives conduct interim reviews upon a change in a client's financial situation, general needs, personal situation or investment objectives, in order to try and ensure the appropriateness of a client's current financial plan or asset allocation.

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### Review Triggers

Account reviews may be performed frequently when market conditions dictate or necessitate. Other conditions that may trigger a review are changes in the tax laws, investment information, and changes in a client's own situation. AFAS Investment Advisers periodically ask clients to confirm personal circumstances that could trigger changes in their accounts (marriages, sudden illness, death, divorces, children's needs, etc).

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### Regular Reports

Clients receive periodic communications on at least an annual basis. Portfolio Managers receive written quarterly updates. The written updates may include a comprehensive portfolio analysis of current holdings as a summary of objectives and progress towards meeting those objectives.



## Client Referrals

### Incoming Referrals

AFAS has been fortunate to receive many client introductions over the years. These referrals come from clients, estate planning attorneys, accountants, employees, personal friends and other similar sources.

Other professionals (e.g., lawyers, accountants, real estate agents, insurance agents, etc.) may be engaged directly by the client on an as needed basis. Conflicts of interest will be disclosed to the client when they occur. Neither AFAS, nor its Investment Advisers, receive fees from share fees from outside professionals working with AFAS clients.

AFAS may enter into solicitation agreements pursuant to which it compensates third party intermediaries for client referrals that result in the provision of investment advisory services by AFAS. AFAS will disclose these solicitation arrangements to affected investors. Solicitors introducing clients to AFAS may receive compensation from AFAS in the form of a flat fee. Such compensation will be paid pursuant to a written agreement with the solicitor and generally may be initiated by the third party from time to time. The cost of any such fees will be borne entirely by AFAS and not by any affected client.

### Referrals Out

AFAS does not accept referral fees or any form of compensation from other professionals when AFAS refers a prospect client to them. Other professionals (e.g., lawyers, accountants, real estate agents, insurance agents, etc.) may be engaged directly by the client on an as needed basis. Conflicts of interest will be disclosed to the client in the event they occur. Neither AFAS, nor its Investment Advisers, receive fees from share fees with outside professionals working with AFAS clients.

## Custody

### Account Statements

AFAS does not serve as custodian for funds or securities. All assets are held at qualified custodians that provide account statements directly to clients at their address of record at least quarterly.

### Performance Reports

Portfolio Manager clients receive quarterly performance reports from AFAS. These reports may include a comprehensive portfolio analysis of current holdings and a summary of objectives and progress towards meeting those objectives.

## Investment Discretion

### Discretionary and Non-Discretionary Authority for Trading

AFAS does accept discretionary authority to manage securities accounts on behalf of clients. When elected, the client is granting the investment adviser representative authority to select the security, the amount, the price for either purchase or sale at a time of their

choosing. The majority of client portfolios are managed to provide agreed upon asset allocations. In these instances, clients have signed off on an agreed upon asset allocation and have given a list of funds and ETFs that will be utilized to implement these allocations. These funds may change over time as reviewed by advisor to better meet the client's goals. In these instances, AFAS is using discretion almost entirely to select the tie of a given transaction, and as part of regular systematic balancing. Unless agreed to in writing, all other portfolios will be managed on a discretionary basis. Portfolios managed with the assistance of third party money managers use limited trading authority granted under contract, based on the client's direct request to the Investment Adviser Representative, or based on the client's acceptance of a recommendation provided by the Investment Adviser Representative. In these cases, the direct to implement trades is given by the Investment Adviser Representative and is still considered to be using discretionary authority.

It is the general policy of AFAS to accept investment advisory accounts that are managed on a discretionary basis. AFAS, in its sole discretion, will approve such arrangements when agreed to in writing and where the terms and understandings of this arrangement are clearly understood by the client and clearly adhered to by the investment adviser representative.

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## Limited Power of Attorney

A limited power of attorney is used with third party money managers to buy funds in client accounts and to maintain target allocation percentages set for each account. A client's limited power of attorney so that the third party manager may execute on the client's behalf to maintain the client's approved target allocation. The Investment Adviser reviews the portfolio allocations in comparison with the target allocations at least quarterly and approves rebalancing that may be necessary to bring the account back to the approved target allocation percentages. Target allocation percentages are not changed without the client's signed authorization.

## Voting Client Securities

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### Proxy Votes

AFAS does not automatically vote proxies on securities on behalf of clients. Clients are expected to vote their own proxies as received.

When assistance on voting proxies is requested, AFAS will offer information to help the client make informed decisions. If a conflict of interest exists that would impact AFAS's commitment, it will be disclosed to the client.

Clients of AFAS who have elected to allocate assets to the strategies that have been developed for the Sub-Advisory platform will have their proxies voted by their investment adviser representatives managing those assets. In these instances, representatives of AFAS do not assume responsibility for voting proxies, committing to doing so in a manner that is in line with the client's objectives, presuming the shared objective of positively influencing and directing corporate management to act in the best interests of the shareholder.

## Financial Information

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### Financial Condition

AFAS does not have any financial impairments that will preclude the firm from meeting contractual commitments to its clients. AFAS is not required to provide collateral with this Firm Branch because (1) AFAS does not serve as a custodian for client funds or securities, and (2) AFAS does not require clients to prepay fees more than \$1200 services that will not be provided within six months.