

## **Firm Brochure**

(Part 2A of Form ADV)

**Delta Financial Group, Inc.**  
**37 Stonehouse Road**  
**Basking Ridge, New Jersey 07920**  
**T (908)542-9400**  
**F (908)542-9004**

**Website:** [www.deltafinancialgroup.com](http://www.deltafinancialgroup.com)

**Email:** [sean@deltafinancialgroup.com](mailto:sean@deltafinancialgroup.com)

This brochure provides information about the qualifications and business practices of Delta Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at: (908)542-9400, or by email at: [sean@deltafinancialgroup.com](mailto:sean@deltafinancialgroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

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

March 23, 2022

## Material Changes

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### Annual Update

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### Material Changes since the Last Update

The U.S. Securities and Exchange Commission issued a final rule in July of 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization be written in a way that allows for the general public at large to read and understand the basic business practices of Delta Financial Group, Inc. The last update provided was made on March 23, 2022. The following represents changes made to our ADV Form since then and include the following:

**As of December 31<sup>st</sup>, 2022, total regulatory assets under advisement for Delta Financial Group, Inc. were approximately \$996,313,773 for approximately 804 clients. Approximately \$934,350,383 is managed on a discretionary basis, and \$61,963,390 is managed on a non-discretionary basis.**

**Additionally, we removed the statement under the heading “Advisory Business” Item #4, The client always maintains asset control.**

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### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (908)542-9400 or by email at: [sean@deltafinancialgroup.com](mailto:sean@deltafinancialgroup.com).

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## Advisory Business (Item #4)

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### Firm Description

Delta Financial Group, Inc. ("Delta") was founded on April 2<sup>nd</sup>, 1991.

Delta Financial Group, Inc. offers to provide personalized confidential financial planning and investment management to individuals, retirement plans, trusts, estates, charitable organizations and small businesses. Financial planning advice can include advice on such matters not involving securities. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Delta Financial Group, Inc. is a fee-only financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. Additionally, no finder's fees are accepted.

A written evaluation of each client's initial situation may be provided to the client, often in the form of a net worth statement. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

It is noted that a recommendation in isolation may be counterproductive and should therefore be discussed with the client prior to taking such action. Our financial planning services are provided for on a comprehensive basis.

**Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur. Delta Financial Group, Inc. does not act as a custodian of client assets.**

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### **Principal Owners**

The Principal Owners of Delta Financial Group, Inc. are Sean F. Donovan, CFP® and Joseph J. Macellara, CFP®.

Mr. Donovan is a 50% stockholder. In addition to his duties as a Principal Owner, Sean is also the Chief Compliance Officer for Delta Financial Group, Inc. Mr. Macellara is the other 50% stockholder and Corporate Secretary for Delta Financial Group, Inc.

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### **Types of Advisory Services**

Delta Financial Group, Inc. provides investment supervisory services, also known as asset management services; manages investment advisory accounts not involving investment supervisory services; furnishes investment advice through consultations. Items used in conjunction with asset management services can include the use of periodicals about securities, special reports about securities and issues, charts, graphs, formulas, or other devices which clients may use to evaluate securities.

On more than an occasional basis, Delta Financial Group, Inc. furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

**As of December 31<sup>st</sup>, 2021, total regulatory assets under advisement for Delta Financial Group, Inc. were approximately \$1,076,241,677 for approximately 766 clients. Approximately \$1,015,390,531 is managed on a discretionary basis, and \$60,851,146 is managed on a non-discretionary basis.**

Delta's services are generally provided to the client pursuant to an investment advisory agreement. However, Delta may also enter into a tri-party investment advisory agreement with the client and another investment advisory firm that assumes fiduciary responsibility for recommending and/or selecting the investment strategy for the client including a suitable asset allocation.

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### **Tailored Relationships**

The goals and objectives for each client are generally revealed through the financial planning process and documented in our client meetings, which help to forge a strong relationship. Investment policy statements are created that reflect the stated goals and objectives of each client. Clients may impose restrictions on investing in certain securities or types of securities.

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## **Types of Agreements**

The following agreements define the typical client relationships: Financial Planning Agreements and Advisory Services Agreements. These Agreements may not be assigned without client consent.

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### **Financial Planning Agreement**

A financial plan is designed to help the client with all aspects of financial planning without ongoing investment management once the initial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; written analysis and reports as well as computer generated analysis; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client. In general, a financial planning client can receive a written plan that will address the following areas or concern:

- a) Investment Planning
- b) Risk Management
- c) Tax Planning
- d) Budget and Emergency Fund Planning
- e) Retirement Planning & Participation
- f) Estate Planning
- g) College/Educational Cost Analysis Planning

Required information will be gathered through personal interviews. Related documents supplied by the client are carefully reviewed with a questionnaire completed by the client and a written report is prepared. (Any implementation is solely at the discretion of the client).

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### **Advisory Service Agreement**

Most clients choose to have Delta Financial Group, Inc. manage their assets on a discretionary basis in order to obtain ongoing in-depth advice and life planning. A comprehensive analysis of the client's financial affairs is composed. Realistic and measurable goals are set and objectives to reach those goals are defined. As the goals and objectives change over time, suggestions are made and implemented on a proactive basis.

The scope of work and fee is detailed in the Investment Advisory Agreement, which is provided to the client **in writing** prior to the start of the relationship.



An Investment Advisory Agreement includes: cash flow management; insurance review; investment management (including performance reporting); education planning; retirement planning; estate planning; and tax planning, as well as the implementation of recommendations within each area.

The annual Advisory Service Agreement (Asset Management fee) for discretionary and non-discretionary accounts is based upon either a flat fee or on a dollar value of each portfolio(s). Clients will be invoiced depending on the dollar values of each portfolio(s). A minimum annual fee of \$7,500 or a minimum account size of \$500,000 is anticipated. Basic fee standards are based on a percentage of the investable assets according to the following schedule:

<b>Annual Fee</b>	<b>Invested Capital</b>
1.50%	Accounts below \$500,000;
1.25%	500,001 to 1,000,000;
1.00%	\$1,000,001 to \$3,000,000
Negotiated	Accounts over \$3,000,001

It should be noted that potential clients negotiate the above stated fees. These percentages are to be used as a general guideline only. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the Financial Advisory Agreement is a perpetual agreement, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

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#### **Retainer Agreement**

Delta does not offer a Retainer Agreement to its clients at this time.

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#### **Investment Management Agreement**

Please refer to the section Advisory Service Agreement above for any *Investment Management Agreements*. The annual fee for an *Investment Management Agreement* is governed by the same language stated in the Advisory Services Agreement.

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#### **Hourly Planning Engagements**

Delta Financial Group, Inc. provides hourly planning services for clients who need advice on a limited scope. In these cases, Delta will provide periodic

advice on all or part of the Financial Planning or Asset Management areas listed above. This service is designed for clients who may not need or require full-service advice, but may include the rendering of oral advice to the client, a single written analysis, a report on a specific topic(s) such as tax planning and investment planning, or any one or more limited areas of interest. The maximum hourly rate for this limited scope engagements is \$250.00. The first payment is due upon signing an agreement for such service with any balance being billed by invoice to the client in arrears. Fees are due and payable within 30 days of the invoicing date(s).

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### **Asset Management**

Assets are invested primarily in no-load mutual funds or mutual funds that avoid paying sales charges altogether, closed end funds and exchange-traded funds, usually through discount brokers or fund companies. It should be noted that mutual fund companies and exchange traded funds charge each fund shareholder an investment management fee that is disclosed within the fund(s) prospectus. Discount brokers may charge a transaction fee for the purchase of some institutional class mutual fund shares.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. Delta Financial Group, Inc. does not receive any compensation, in any form, from fund companies or the brokerage firm it uses to clear trades through (Fidelity Investments-Institutional Wealth Services and TD Ameritrade).

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U.S. government securities, options contracts, futures contracts, and interests in partnerships.

Initial public offerings (IPOs) are available through our relationship with Fidelity on a limited basis.

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### **Termination of Agreement**

A client may terminate any of the aforementioned agreements at any time for any reason upon receipt of 30 days written notice to Delta Financial Group, Inc. and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client made an advance payment, Delta Financial Group, Inc. will refund any unearned portion of the advance payment.

Delta Financial Group, Inc. may terminate any of the aforementioned agreements at any time for any reason upon receipt of 30 days written notice to the client. If the client made an advance payment, Delta Financial Group, Inc. will refund any unearned portion of the advance payment.

## Fees and Compensation (Item #5)

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### Financial Planning Fee Description

The fee for a financial plan is predicated upon the facts known at the start of the engagement. This fee will be quoted prior to any agreement. Financial Planning services are provided on a fixed fee basis. Fixed fees generally range from \$2,500.00 and up. This fee is based on the extent and complexity of each individual client's specific financial and/or personal circumstances. An exact fee will be agreed upon in advance. Unless altered by negotiations, 50% of the fee is due and payable upon execution of the Advisory Agreement. The balance of the fee is due and payable upon delivery of the financial plan or advice.

All financial plans and reviews are delivered to all clients within 9 days. However as noted, a client must deliver information in a timely manner, in order to perform our duties.

All Financial Planning fees are *negotiable*. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments.

In the event that the client's situation is substantially different than disclosed at the initial meeting, a revised fee agreement will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work being performed when a fee increase is necessary.

Annual Updates: In subsequent years, any client may elect to have an update to the original financial plan and an additional year of consultation. The fee for this service will be quoted and adjusted prior to the contract extension. This fee is due and payable upon presentation of the updated plan. After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one month. Follow up implementation work is billed separately at the rate of up to \$250 per hour.

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### Asset Management Fee Description

Delta Financial Group, Inc. bases its fees on a percentage of assets under management, hourly charges or fixed fees. It should be noted that any client who elects to contract with Delta Financial Group, Inc. under an Asset Management Agreement, is entitled to four (4) hours of financial planning services.

Annual Fee	Invested Capital
1.50%	Accounts below \$500,000
1.25%	500,001 to 1,000,000
1.00%	\$1,000,001 to \$3,000,000
Negotiated	Accounts over \$3,000,001

It should be noted that in some instances potential clients may choose to negotiate the above stated percentages. The stated percentages above are to be used as a general guideline only. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

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**Fee Billing**

Investment management fees are billed monthly or quarterly, in *arrears*, meaning that we invoice you *after* the month or three-month billing period has *ended*. In most instances, fees are usually deducted directly from the designated client account(s) to facilitate billing. Occasionally fees are billed to a client by mailing an invoice to their legal/ mailing address. Payment in full is expected upon this invoiced presentation. The client consents in advance to direct debiting of their investment account(s).

Fees for financial plans are billed 25% in advance, with the balance due upon delivery of the financial plan.

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**Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security. (Refer to Item 12, Brokerage Practices, of this ADV Form for a further explanation of these costs that might apply to a client).

Delta Financial Group, Inc., 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 assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

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**Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 50 basis points or 0.50% means that the mutual fund company charges one half of one percent for their services. These fees are in addition to the fees paid by you to Delta Financial Group, Inc.

Performance figures quoted by mutual fund companies in various publications are typically after their fees have been deducted.

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**Past Due Accounts and Termination of Agreement**

Delta Financial Group, Inc. reserves the right to stop work on any account that is more than 60 days overdue. In addition, Delta Financial Group, Inc. reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in Delta Financial Group,

Inc.'s judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 60 days.

## Performance-Based Fees (Item #6)

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### Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

Delta Financial Group, Inc. does not use a performance-based fee structure because of the potential conflict of interest. Among some of the reasons we do not use a performance based fee structure is that performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Types of Clients (Item #7)

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### Description

Delta Financial Group, Inc. generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, small corporations or business entities.

Client relationships vary in scope and length of service.

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### Account Minimums

It is anticipated that the minimum account size is to be \$500,000 of assets under management, which equates to an annual fee of \$7,500.

When an account falls below \$250,000 in value, the minimum annual fee of \$3,750 may be charged. Depending upon circumstances, Delta Financial Group, Inc. may sign an *Hourly Agreement* with the client if assets have diminished significantly below \$100,000.

Delta Financial Group, Inc. has the discretion to waive the account minimum. Accounts of less than \$250,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$500,000 within a reasonable time. Other exceptions will apply to employees of Delta Financial Group, Inc. and their relatives, or relatives of existing clients.

Clients receiving ongoing asset management services may be assessed a minimum annual fee. Clients with assets below the minimum account size may pay a higher percentage rate on their annual fees than the fees paid by clients with greater assets under management.

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

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### **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, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that Delta Financial Group, Inc. may use include Morningstar Principia mutual fund information, Morningstar Principia stock, closed end, variable annuity, ETF, 529 plan information, Bloomberg services, Fidelity Investments-Institutional Wealth Services bond trader pro platform, the World Wide Web, etc.

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### **Investment Strategies**

At Delta, we believe in long-term investing. Our goal is to achieve superior returns with low to moderate risk. We strive to beat the markets during periods of poor or average market performance. Since our portfolios are managed with an eye toward controlling risk, during abnormally strong periods our performance may lag. Our portfolios are designed to be "all-weather" portfolios which can withstand market volatility while providing consistent performance.

### **Statement of Investment Policy**

We pride ourselves in our ability to provide personalized service and advice to each client. We go to great lengths to obtain the information necessary to properly understand each client's objectives, constraints and special needs. An Investment Policy Statement is designed for each client that summarizes the objectives and constraints to be considered in the management of their portfolio. This statement is periodically reviewed with the client to determine any necessary adjustments.

### **Asset Allocation**

One of the most important decisions in the investment management process that our clients go through is the choice of an asset allocation strategy. Using the information summarized in the Investment Policy Statement, an appropriate mix of asset classes is proposed which is intended to achieve the objectives of each client within the constraints given. This asset allocation can be implemented using mutual funds and/or individual securities.

### **Portfolio Design**

Mutual funds offer many benefits to the average investor. They offer instant diversification, expert active management and ease of trading. Through the use of mutual funds, it is possible to design portfolios with multiple asset classes

and investment styles. Portfolio adjustment can be made quickly to take advantage of economic trends or sector valuations. Portfolios are globally diversified to control the risk associated with traditional markets.

Delta manages core client stock portfolios in what can predominately be described as a Growth at a Reasonable Price style. We search for companies with solid financials and good prospects for earnings growth trading at reasonable valuations. They should have solid management and a competitive advantage to enable future earnings growth.

The primary investment strategy used on client accounts is strategic asset allocation utilizing the mutual fund universe. With respect to mutual fund investing, for the majority of our clients, we recommend utilizing asset allocation for our client's investable accounts. This process is characterized as dividing your assets among available investment asset classes such as cash/cash equivalents; bonds or fixed income; stocks or managed equities. For other types of clients, it is recommended to use the dollar cost averaging method into no-load and/or net asset value mutual funds.

Other investment strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

It should be noted that Delta attempts to use the lowest cost mutual fund share classes which may be most advantageous to the client.

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**Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to shift. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **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's operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information (Item #9)**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## **Other Financial Industry Activities and Affiliations (Item #10)**

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### **Financial Industry Activities**

Delta Financial Group, Inc. is not registered nor is affiliated with a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

Delta Financial Group, Inc. currently has a relationship to place insurance products (fixed and/or variable annuity investment products) through Fidelity Life Insurance Inc. (FILI), and other no-load insurance providers, should any client need to implement these types of insurance or investment strategies.

Delta Financial Group, Inc. is in the business of providing financial and investment advice. However, one executive officer is a separately licensed insurance agent but currently does not use it for the sale of any insurance products. Rather it is used to assist clients in reviewing existing insurance policies and recommending further coverage. It is not used to sell insurance products.



Delta Financial Group, Inc. has entered into a relationship with Chicago Clearing Corporation (CCC). Chicago Clearing Corporation (CCC) is a leader in filing claims in most securities class action settlements. CCC files these securities litigation claims on behalf of our clients. Each client is asked to either opt-in or opt-out in allowing CCC to file securities claims on their behalf. CCC works on a contingency fee basis receiving a percentage of proceeds derived from settlements of securities class actions collected.

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**Affiliations**

Delta Financial Group, Inc. has no arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading (Item #11)**

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**Code of Ethics**

The employees of Delta Financial Group, Inc. have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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**Participation or Interest in Client Transactions**

Delta Financial Group, Inc. and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the Delta Financial Group, Inc. *Compliance Manual*.

Delta or any related person may have an interest in certain security(ies) which may also be recommended to a client. As these situations represent a conflict of interest, Delta has established the following restrictions in order to ensure its fiduciary responsibilities: A director, officer or employee of Delta shall not buy or sell securities for their personal account where their decisions substantially derive in whole or in part by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry; Delta maintains a list of all securities holdings for itself and anyone associated with this advisory practice and are reviewed on a regular basis by the executive officers; Delta requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisors.

Messrs. Donovan, Macellara and Pasi have entered into a business arrangement and/or became limited partners in 37 Stonehouse LLC, a limited

liability company that owns the building located at 37 Stonehouse Road, Basking Ridge, New Jersey.

Michael Menza & Howard Beissel of Menza Beissel Homes, Inc., are also partners in 37 Stonehouse LLC. It should be noted that Menza & Beissel Homes Inc., is a separate entity from Delta Financial Group, Inc. Further, Delta has not and does not participate in any revenue sharing or fee splitting of any kind with Menza & Beissel Homes, Inc.

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### **Personal Trading**

The Chief Compliance Officer of Delta Financial Group, Inc. is Sean F. Donovan. He reviews all employee trades each quarter. His trades are reviewed by Joseph J. Macellara. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm do not receive preferential treatment. Since most employee trades are inconsequential mutual fund trades, individual stock or exchange-traded fund trades, these trades do not affect the securities markets.

## **Brokerage Practices (Item #12)**

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### **Selecting Brokerage Firms**

Delta Financial Group, Inc. does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. Delta Financial Group, Inc. recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

Some clients, when undertaking an advisory relationship, already have their own brokers and they can instruct Delta to execute all transactions through same. At times Delta may suggest the use of a broker/dealer to a client in need of such assistance, provided we can meet our fiduciary obligation of best execution (referenced below). However, no client is under any obligation to affect trades through any recommended broker. Any client is free to select any broker of his or her choice.

Delta Financial Group, Inc. recommends discount brokerage firms and trust companies (qualified custodians), such as TD Ameritrade, Charles Schwab, Vanguard, etc. Delta Financial Group, Inc. currently has a relationship with TD Ameritrade Institutional and Fidelity Investments-Institutional Wealth Services (IWS) which is a division of Fidelity Brokerage Services, LLC (which is a wholly owned subsidiary of FMR, LLC) and uses them to custody client assets. Delta Financial Group, Inc. *does not* receive fees or commissions from any of these arrangements.

Delta Financial Group, Inc. has an arrangement with National Financial Services, LLC and Fidelity Brokerage Services, LLC (collectively, and together

with all affiliates, "Fidelity") through which Fidelity provides Delta Financial Group, Inc. with "institutional platform services". The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services assist Delta Financial Group, Inc. in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help Delta Financial Group, Inc. manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third-party service providers who provide a wide array of business related services and technology with whom Delta Financial Group, Inc. may contract directly.

Delta participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. TD Ameritrade is an independent SEC-registered broker-dealer. TD Ameritrade offers services to independently registered investment advisers which include custody of securities, trade execution, and clearance and settlement of transactions. Delta receives no economic benefits through its participation in the TD Ameritrade Institutional program. The Firm may recommend TD Ameritrade to clients for custody and brokerage services.

Delta Financial Group, Inc. is independently operated and owned and is not affiliated with Fidelity or TD Ameritrade.

Fidelity and TD Ameritrade generally do not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or TD Ameritrade or that settle into Fidelity or TD Ameritrade accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity and TD Ameritrade provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

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### **Best Execution**

Delta Financial Group, Inc. reviews the execution of trades at our custodian each quarter. The review is documented in the Delta Financial Group, Inc.

*Compliance Manual.* Trading fees charged by the custodian are also reviewed on a quarterly basis. Delta Financial Group, Inc. does not receive any portion of the trading fees.

Delta discloses that equity transactions are executed through either Fidelity Investments Institutional Wealth Services (IWS) or TD Ameritrade Institution and are subject to minimum ticket charges starting at \$4.95. Also, equity orders can be placed in one of two ways. First, they can be entered individually on behalf of a client's brokerage account. Second, they can be entered in block order format. A block order contains orders for the same order action (buy or sell) and security, for multiple accounts. Once the block order has been executed the block is then allocated and entered into various clients' brokerage accounts. Using block orders may affect the price and execution of transactions made on clients' accounts.

**The cost of \$4.95 applies if the client opts to receive their correspondence from the custodian electronically or has a total relationship value of \$1,000,000 (combined accounts value) or higher.**

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#### **Soft Dollars**

Delta Financial Group, Inc. does not participate in any soft dollar arrangement with any custodian or other provider. A soft dollar arrangement is one in which an advisory firm receives a credit or an actual dollar amount of money from a custodian because the advisor maintains client assets at that specified custodian. We believe that this is a conflict of interest and therefore Delta Financial Group, Inc. has decided not to participate in this industry activity.

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#### **Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit. Delta Financial Group, Inc. does participate in block trading. Please refer to the above reference section Best Execution for a description of block trades.

## **Review of Accounts (Item #13)**

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#### **Periodic Reviews**

Account reviews are performed at least quarterly by each investment advisor here at Delta Financial Group, Inc., namely Sean F. Donovan, Joseph J. Macellara, David E. Pasi and Wayne Howell. Account reviews are performed more frequently when market conditions dictate.

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#### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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**Regular Reports**

Clients receive periodic communications on an as-needed basis, but at least on an annual basis. *Advisory Service Agreement* clients and *Investment Management* clients may receive written quarterly updates. The written updates may include a net worth statement, portfolio statement, Morningstar reports and a summary of objectives and progress towards meeting the client's goals and objectives.

It should be noted that Fidelity Investments sends out a monthly or quarterly brokerage statement that assists clients in providing them with up to date portfolio positions.

## **Client Referrals and Other Compensation (Item #14)**

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**Incoming Referrals**

Delta Financial Group, Inc. has been fortunate to receive many client referrals over the years. These referrals come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals. It should be noted that there could be times that a referral may involve limited partners in 37 Stonehouse Road LLC, that are not associated with Delta.

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**Referrals Out**

Delta Financial Group, Inc. does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them. It should be noted that there could be times that a referral may involve limited partners in 37 Stonehouse Road LLC, that are not associated with Delta.

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**Other Compensation**

*(Not Applicable)*

## **Custody (Item #15)**

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**Account Statements**

All assets are held at qualified custodians, which mean that the custodians provide account statements directly to clients at their address of record at least quarterly. Delta Financial Group, Inc. uses TD Ameritrade and Fidelity Investments-Institutional Wealth Services as its main custodians and they are responsible for providing account statements.

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**Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by Delta Financial Group, Inc.

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**Net Worth Statements**

Clients are frequently provided net worth statements and net worth graphs that are generated from different software systems. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate from such reasonable sources like Zillow, etc. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

**Investment Discretion (Item #16)**

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**Discretionary Authority for Trading**

Delta Financial Group, Inc. accepts discretionary authority to manage securities accounts on behalf of clients. Delta Financial Group, Inc. has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. Additionally, Delta Financial Group, Inc. has clients sign Statements of Investment Policies which attempts to limit exposure to stock or managed equities. Therefore, Delta Financial Group, Inc. does not consult with the client prior to each trade to obtain concurrence.

The client approves the custodian to be used and the commission rates paid to the custodian. Delta Financial Group, Inc. does not receive any portion of the transaction fees or commissions paid by the client to the custodian on trades.

Discretionary trading authority facilitates placing trades in the clients' accounts on their behalf so that Delta Financial Group, Inc. may promptly implement the investment policy that the client has agreed upon in writing.

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**Limited Power of Attorney**

(Not Applicable)

**Voting Client Securities (Item #17)**

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**Proxy Votes**

Delta Financial Group, Inc. does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, Delta Financial Group, Inc. can provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

## Financial Information (Item #18)

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### Financial Condition

Delta Financial Group, Inc. does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because Delta Financial Group, Inc. does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## Business Continuity Plan

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### General

Delta Financial Group, Inc. has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications, line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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### Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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### Loss of Key Personnel

The partners of the firm have entered into a traditional form of a business continuity plan by executing a buy-sell agreement designed to provide for the uninterrupted service to Delta's clients, should something occur to either partner.

## Information Security Program

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### Information Security

Delta Financial Group, Inc. maintains an information security program to reduce the risk that your personal and confidential information may be breached. In use are internet security software programs both on each office computer and on the network server. Additionally, in use is a sonic firewall system with gateway protection. All computers are password protected. Recently anti-spy

software has been installed on all office computers in addition to continually upgrading Norton anti-virus software.

### **Encryption**

Your data is securely stored here on our private local area network and at IBackup Professional using an elevated level of encryption employed by most multinational banks that require an extremely high level of security. All of your data is 128-bit encrypted and compressed before being uploaded and stored on IBackup Professional's Offsite Backup Server through a secure SSL channel.

### **IBackup Data Storage**

IBackup enables consumers and organizations to get enterprise-class online backup with superior performance for their critical data.

IBackup is committed to protecting Delta's clients' valuable data residing on our servers. We follow best practices to ensure data security. The servers on which IBackup's accounts reside are continuously monitored for any attempted network attacks on a 24 x 7 basis, using sophisticated software tools.

Your data resides on RAID-protected industry leading NAS/SAN storage devices with multiple levels of redundancy. Also, regular backups of your data are maintained on separate RAID-protected devices online, to quickly recover from any software or hardware failures.

Periodic third-party scans and audits are carried out to test the integrity of the infrastructure and applications.

[IBackup for Windows](#) transfers data using 128-bit SSL encryption and uses optional 256-bit proprietary encryption with user-defined key to store data. [IBackup Drive](#), the Network mapping application, has 128-bit SSL encryption enabled by default.

[IBackup Professional](#) offers 256-bit AES encryption on storage in addition to 128-bit SSL encryption on transfer.

By default, all browser-based data transfer operations including sharing of files and folders use 128-bit SSL encryption.

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### **Privacy Notice**

Delta Financial Group, Inc. is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.



With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.