



Investment Advisor Disclosure Statement

This document shall be delivered to any new or prospective client and is available without charge to all existing clients. **VERSION 4/14/10**

A. General Information

Financial Service Group, Inc.
4812 Northwestern Avenue
Racine, WI 53406
(262) 554-4500

B. Advisory Services and Fees

Financial Service Group, Inc. (FSG) offers investment supervision and financial planning services to their clients on a fee-only basis. Those fees are based on a flat dollar amount, a percentage of assets under management, retainer fees or a combination.

The advisory services consists of preparing financial plans and providing evaluation services to clients based on their current and anticipated financial situations, needs and investment objectives and goals. FSG also provides advisory consulting services to clients with regard to specific situations and problems. These services and fees are as follows:

Limited Engagements:

This service is a limited engagement focusing on specific financial issues identified during the complementary initial consultation. We will meet to discuss the issue(s) and provide a written report of our findings and recommendations. The major service topics can include:

| | |
|----------------------|--------------------------|
| Goal Setting | Tax Planning |
| Cash Flow Planning | Tax Preparation |
| Insurance Planning | Estate Planning |
| Real Estate Planning | Stock Option Planning |
| Education Planning | Long Term Care Planning |
| Retirement Planning | Charitable Gift Planning |
| Investment Planning | Career Asset Management |
| Business Planning | |

Financial Planning Retainer Services:

A. Financial Planning Review(s) - At least annually, FSG will meet with Client to review Client's existing goals and objectives, monitor progress towards achieving goals and discuss changes that may have occurred to Client's financial circumstances necessitating revisions to those goals and objectives. Additional meetings may be scheduled throughout the year to discuss career planning, charitable gift planning,



education planning, estate planning, insurance planning, long term care planning, real estate planning, and/or retirement planning in the scope designated by Client.

B. Portfolio Management Services - At least annually, FSG will meet with Client to review investment account performance, current investment objectives, constraints and time horizons to determine if changes are necessary. FSG will monitor and review accounts on an ongoing basis during the year, place investment and sale orders when it deems it appropriate to do so, and provide client with reports or arrange for client's account custodian to do so, at least quarterly.

C. Tax Services - FSG will contact Client for year-end tax planning to discuss tax minimizing strategies. FSG may also prepare Client's personal income tax return.

Fees and terms: Charges for services

Limited Engagement Fee: \$500-\$5,000. The specific fee will be estimated at the first meeting or telephone consultation. The fee is based on the size and complexity of the Client's situation. The fee will be billed to Client upon completion of the services rendered.

Financial Planning Retainer Fee

The minimum annual fee for Financial Planning Retainer Services is \$5,000, payable quarterly in arrears.

For portfolios having a value greater than \$650,000, there is an additional asset-based fee calculated in accordance with the following fee schedule:

| Bracket | Annual Fee | Quarterly Fee |
|-------------------------|-------------------|----------------------|
| Up to \$1 million | 0.50% | .1250% |
| Next \$500,000 | 0.45% | .1125% |
| Next \$500,000 | 0.30% | .0750% |
| Assets over \$2 million | 0.225% | .0563% |

Thirty (30) days advance written notice will be provided to Client prior to any change in applicable fees by FSG. Client will receive an invoice with a calculation showing how FSG arrived at the fee prior to fees being deducted from client's account, or being paid directly.

Third Party Fees: In addition to FSG's fees, account custodians and investment companies may charge their own management and distribution fees and transaction expenses. Occasionally, Third Party Service Providers (example: attorneys, realtors, or insurance agents) are used to assist with the implementation of recommendations. The expenses for these services are separate from fees charged by FSG and are estimated to client before these services are provided.

C. Types of Clients



FSG generally provides investment advice to individuals, pensions and profit sharing plans, trusts, estates, charitable organizations, and corporations or business entities.

D. Types of Investments

FSG offers advice on the following investments:

1. Equity Securities including exchange listed securities, over the counter and foreign issuers.
2. Corporate debt securities.
3. United States government securities.
4. Investment company securities including mutual fund shares, variable annuities and variable life insurance.
5. Partnership interests investing in real estate.

E. Method of analysis and investment strategies used

FSG uses fundamental analysis of securities and a tactical asset allocation strategy using passive (indexing) portfolios to implement investment policy statements. This is accomplished by making long and short term purchases, short selling and margin transactions.

F. Education and Business Requirements and Backgrounds

FSG requires all employees, who are in an advisory capacity, to have a Bachelors Degree or Masters Degree in Business Management from a recognizable university or college. FSG further requires that all employees in an advisory capacity have a Series 7 & 63 or 6 or 65 License.

Education and Business Background of:

Michael P. Haubrich

Michael graduated high honors with a Bachelor of Science Degree in Business Management/Finance from the University of Wisconsin-Parkside. Mr. Haubrich has held the professional designation of Certified Financial Planner™ since 1986. He is a Registered Investment Advisor Representative of Financial Service Group, Inc. Mr. Haubrich has been the President/Treasurer of FSG since 1979. Date of birth, December 5, 1956.

Justus B. Morgan

Justus graduated with a Bachelor of Arts Degree and a Masters in Business Administration from Marquette University, Milwaukee, WI. Mr. Morgan holds the professional designations of Certified Financial Planner™ and Enrolled Agent with the Internal Revenue Service. He is registered as an Investment Advisor Representative of Financial Service Group, Inc. Mr. Morgan is the Vice President of FSG and has been with the firm since 2003. Date of birth, March 20, 1978.

Joy P. Clady

Joy graduated with a Bachelor of Arts Degree from the University of Illinois at Urbana-Champaign and a Masters in Business Administration from Michigan State University. Ms. Clady also completed the Georgetown University Executive Certificate in Financial Planning



program. Ms. Clady is registered as an Investment Advisor Representative of Financial Service Group, Inc. and has been with the firm since March 2008. Date of birth, November 23, 1970.

G. Other Business Activities

FSG prepares tax returns for selected clients in addition to financial and investment advice.

H. Other Financial Industry Activities or Affiliations

FSG is not registered and does not have an application pending as a securities broker dealer, a futures commission merchant, commodity pool operator, or commodity trading adviser.

FSG does not have arrangements that are material to its advisory business or its clients with a related person who is a broker dealer, investment company, other investment adviser, 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 any entity that creates or packages limited partnerships.

Neither FSG nor any related persons are general partners in any partnership in which clients are solicited to invest.

I. Participation or Interest in Client Transactions

Advisors of FSG may buy or sell for themselves securities that are also recommends to clients. Clients' trades will be placed ahead of advisors trades so all advisors trades will be last in and last out.

J. Conditions for Managing Accounts

FSG does not impose a minimum dollar value of assets or other conditions for starting or maintaining an account.

K. Review of Accounts

1. Financial Service Group, Inc. will review the accounts *at least* quarterly for Financial Planning Retainer clients. The accounts are reviewed to make sure that the investments allocations in the account match the investment objectives of the client. Accounts are also reviewed at client meetings. If a client's objectives have changed or if market conditions have materially changed the weightings of class allocation, adjustments will be implemented to fulfill client's goals. Clients that are receiving periodic distributions are reviewed monthly to ensure there is sufficient cash available to cover the distributions.
2. FSG provides Financial Planning Retainer clients with reports on their accounts on a quarterly basis, at all meetings, and as requested by clients. Clients also receive statements directly from the custodians of their funds or mutual fund companies on a monthly basis.



L. Investment or Brokerage Discretion

FSG has discretionary power from clients with respect to the client's purchases or sales of securities. This means clients authorize FSG to complete transactions on their behalf without prior authorization from the client. Securities purchased or sold are only done within the context of the Investment Policy Statement and objectives of the client. FSG will recommend custody and clearing firms for clients accounts based on the objectives of client as to costs and services provided. The ultimate choice resides with the client.

M. Additional Compensation

FSG does not have any arrangements, oral or in writing, where it is paid cash from a non-client in connection with giving advice to clients.

FSG utilizes a Charity Referral Program which provides donations to charities when a client or other individual refers someone to FSG for a complementary initial consultation.

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

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

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

Schwab Institutional also makes available to FSG other products and services that benefit FSG but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of FSG accounts, including accounts not maintained in at Schwab.

Schwab's products and services that assist FSG 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 FSG fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab institutional also offers other services intended to help FSG manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to FSG. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of FSG personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, FSG may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

N. Balance Sheet

FSG does not have custody of client funds or securities and does not require prepayment of more than \$500 in fees per client and 6 or more months in advance, therefore a balance sheet is not required.

O. Proxy Voting Responsibility

FSG does not vote proxies on behalf of its clients. All clients are responsible for voting on stocks held in their accounts.

P. Compliance Issues

Michael Haubrich is the Chief Compliance Officer. FSG's Code of Ethics and Business Continuity Plan are available upon request at no cost.



Important Consumer Information

FSG is listed with all regulatory bodies as a Registered Investment Advisor. The firm will not solicit or accept business in any state in which it is not properly registered or otherwise qualified to conduct business by virtue of a state "de minimus" exemption.

The World Wide Web Site does not provide investment advice, nor does it constitute an offer to provide investment advice to any individual, or any other entity in any state or other jurisdiction.

A broker-dealer, investment advisor, Broker Dealer agent, or Investment Advisor representative may only transact business in a particular state after licensure or satisfying qualifications, requirements of that state, or only if they are excluded or exempted from the state's broker-dealer, investment advisor, BD Agent, or IA Rep requirements, as the case may be; and

Follow-up, individual responses to consumers in a particular state by investment advisor, or IA Rep that involve either the effecting or attempting to effect transactions in securities or the rendering of personalized investment advice for compensation, as the case may be, shall not be made without first complying with the state's investment advisor, or IA Rep requirements, or pursuant to an applicable state exemption or exclusion.

For information concerning the licensure status or disciplinary history of an investment advisor, or IA Rep, a consumer should contact their state securities law administrator.