

## **Firm Brochure**

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Hillspring Financial, Inc. (HFI).

If you have any questions about the contents of this brochure, please contact us at: 623-583-6141, or by email at: [info@hillspringfinancial.com](mailto:info@hillspringfinancial.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 HFI is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 31, 2011

# Material Changes

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## Annual Update

The Material Changes section of this brochure will be updated annually and 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 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

Kent G. Forsey joined Hillspring Financial as an advisor representative. See page 18 and 19 for details.

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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: 623-583-6141 or by email at: [info@hillspringfinancial.com](mailto:info@hillspringfinancial.com).

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# Advisory Business

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## Firm Description

Max W. Smith, CFP<sup>®</sup>, CIMA<sup>®</sup>, founded the firm in 1983. The firm name was changed to Hillspring Financial, Inc. in 2007.

HFI provides personalized confidential financial planning and investment management to individuals, pension and profit sharing plans, trusts, estates, and small businesses. 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.

HFI is a fee-based financial planning and investment management firm.

Investment advice is an integral part of financial planning.

Investment advice is provided, with the client making the final decision on investment selection. HFI does not act as a custodian of client assets. The client always maintains asset control. HFI places trades for clients under a limited power of attorney.

A written evaluation of each client's initial situation is 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 as appropriate for the particular client situation.

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.

The initial meeting 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.

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## Principal Owner

Max W. Smith, CFP<sup>®</sup>, CIMA<sup>®</sup>

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## Types of Advisory Services

### Financial Planning Services

HFI furnishes advice to clients on matters not involving securities such as, but not limited to, financial planning matters, taxation issues, and estate planning.

HFI provides asset management services, furnishes investment advice through consultations and issues economic updates via email generally on a quarterly basis. HFI may prepare a proposal for new or existing clients

who may include charts, graphs, formulas, or other devices which clients may use to evaluate securities.

As of March 31, 2011, HFI manages approximately \$54,354,000 in assets for approximately 206 clients. Approximately \$40,628,000 is managed on a discretionary basis, and \$13,726,000 is managed on a non-discretionary basis.

### **Investment Management Services:**

Initial public offerings (IPOs) are not available through HFI.

Investment management services will be provided according to either the PAM program, the CIM System program, the 401k TAMP program, and/or the Retirement Plan Services as described below.

#### **PAM Program:**

The HFI Private Asset Management (PAM) program provides investment advisory services and execution of client transactions for which the specified fee (or fees) is not based directly upon transactions in a client's account. Under the PAM program, HFI will assist the client in the establishment of an account with a custodian for individual securities, exchange traded funds or mutual funds.

HFI's investment advisor representatives will implement the trades for client accounts. All brokerage transactions in the account will be processed by the custodian or the insurance company. HFI has entered into agreements with TD Ameritrade to act as custodian of client individual securities, exchange traded funds and mutual funds. An agreement has also been entered into with Ameritas and Prudential insurance companies that allow for the management of client variable annuity accounts.

HFI will not act as a custodian for any account. The custody of all funds and securities will be maintained by outside custodians.

HFI does not sell variable annuity products. Should a need arise for a client to invest in a variable annuity; HFI will assist the client in selecting an appropriate no-load variable annuity product for their needs. No commissions or set up fees will be involved. Once the annuity is in place, the same advisory fees will apply to manage the subaccounts.

The PAM program may be canceled at any time, by any of the parties, for any reason upon receipt of written notice. Upon termination of an account, any prepaid, unearned fees will be promptly refunded.

Transaction ticket charges by the custodian will be paid by the client and will be deducted from the transaction as applicable.

**CIM System Program:**

The CIM System Program is a wrap-fee program sponsored by Genworth Financial Wealth Management, Inc. (GFWM), a registered investment advisor and a subsidiary of Genworth Financial, Inc. Genworth is a Fortune 250 company operating internationally with over \$100 billion in assets. GFWM delivers Custodial and Administrative Services specializing in meeting the needs of independent financial advisors and their clients. They are more fully described in the Program Disclosure Statement incorporated herein as ADV Appendix 1 (Genworth). See Appendix A. Please refer to this document for important details of how this program works.

**401k Tactical Asset Management Program (TAMP):**

The HFI 401k Tactical Asset Management Program (TAMP) is an advisory service designed to assist the client with decisions regarding their existing 401k plan. HFI will recommend specific funds currently available within their 401k plan and the allocation of each recommended fund. From time to time, HFI will advise the client of any recommended tactical allocation changes. It will be the responsibility of the client to make the recommended changes in a timely manner as they are received from HFI.

The 401k TAMP program may be canceled at any time by either party, for any reason upon receipt of written notice. Upon termination of an account, unearned fees will be promptly refunded.

**Retirement Plan Services:**

HFI provides investment advice to plan sponsors and participants involved in retirement plans.

**Establishing or Reviewing Retirement Plans:**

HFI will work directly with outside retirement plan providers, custodians and third party administrators (TPAs) as needed in assisting plan sponsors to establish an appropriate retirement plan or review the suitability of an existing retirement plan. This service will include the suitability of the investment choices contained in their retirement plan. Though HFI will make every effort to recommend suitable retirement plan providers, custodians and/or TPAs; HFI does not assume responsibility for their work.

**Investment Advice:**

Once a retirement plan has been established, HFI will meet with plan sponsor and employee groups on a periodic basis as desired by the plan sponsor to provide education, encourage participation and to give investment advice as requested by the plan sponsor or participants.

## Fees and Compensation

HFI does not receive compensation in any form from fund companies. All fees discussed below are negotiable under unusual circumstances.

### Financial Planning and Consulting Services:

Initial and start-up services:

Initial consultations for new clients are conducted with no charge. Following the initial consultation, if additional financial planning or consulting is desired, these services can be provided for a flat fee or an hourly rate, depending on the needs of the client. If the services desired by the client match the services provided on the fee schedule, then the flat fee would be appropriate. If the services required do not match the fee schedule, services would then be provided at an hourly rate of \$195/hour (lesser hourly fees may be charged for administrative and staff functions). These charges will be for actual hours spent.

<b>HILLSPRING FINANCIAL FEE SCHEDULE</b>			
<b>Services at a Glance</b>	<b>Basic Plan</b>	<b>Premium Plan</b>	<b>Premium Plus Plan</b>
<b>Initial Consultation</b>	Yes	Yes	Yes
<b>Retirement Feasibility</b>	Yes	Yes	Yes
<b>Discovery Interview</b>	Yes	Yes	Yes
<b>Investment Plan (Written)</b>	Yes	Yes	Yes
<b>Unlimited Communication and Follow-up</b>	As needed	Yes	Yes
<b>Financial Plan (Written)</b>		Yes	Yes
<b>Investment Management</b>		Yes	Yes
<b>Full Membership Benefits</b>		Yes	Yes
<b>Comprehensive Analysis</b>			Yes
<i>Initial Planning Fee With Minimum Invested Assets</i>	<i>\$295</i>	<i>\$575</i>	<i>\$995</i>
<i>Initial Planning Fee Without Minimum Invested Assets</i>	<i>\$295</i>	<i>\$1,575</i>	<i>\$1,995</i>
<i>Annual Ongoing Services Fixed Fee</i>	<i>\$295</i>	<i>\$0</i>	<i>\$0</i>
<b>Membership Benefits</b>			
Unlimited Access by telephone/email		Yes	Yes
Periodic face-to-face Update Meetings (quarterly - or as needed)		Yes	Yes
Meetings with family Members as desired		Yes	Yes
Wealth Management System ( <i>Personal Financial Website</i> )		Yes	Yes
Annual Retainer Waived		Yes	Yes
Periodic Investment Management and Market Updates via Email		Yes	Yes
Updated Retirement Feasibility Analysis and Report as needed		Yes	Yes
Updated Cash Flow Projections as needed – to help keep you on track		Yes	Yes

### New Clients and Existing Clients Under the PAM Program or the CIM System Program:

Hourly rates do not apply to new clients under the PAM program or the CIM System program (as described below). These clients will have the

necessary initial planning completed according to one of the three levels of planning described on the fee schedule. The corresponding flat fee will apply.

### **PAM Program**

The annual advisory fee charged for this service will vary between 0.5% and 1.2% depending on the assets managed and the management activity required. One fourth of the fee will normally be deducted from the respective account each quarter, in arrears.

As advisory fees may be withdrawn from client's accounts, HFI acknowledges that:

- Clients provide written authorization permitting the adviser's fee to be paid directly from the client's account(s) held by independent custodian(s);
- The independent custodian(s) send to the client, at least quarterly, a statement indicating all amounts disbursed from the account;
- The investment adviser sends a statement to the client showing the amount of the fee, the value of the client's assets upon which the fee was based, and the specific manner in which the fee is calculated;
- It is the client's responsibility to verify accuracy of the fee calculation and the custodian will not determine whether the fee is properly calculated. HFI still maintains the fiduciary duty to ensure that the fees are calculated accurately.
- HFI sends a bill to the custodian indicating the amount of fees to be paid to the investment adviser.

### **CIM System Program:**

The annual advisory fee charged for this service will vary between 1.1% and 1.75% depending on the underlying strategist used and the amount of active management required. One fourth of the annual fee will normally be deducted from the respective account each quarter, in advance. HFI will receive a portion of this fee.

Custodial fees: The custodian under the CIM System will charge custodial fees at the rate of \$37.50 per quarter for mutual fund accounts. Custodial fees for exchange traded fund (ETF) accounts will be up to 0.25% annually. Accounts will be billed quarterly for custodial fees.

As advisory fees may be withdrawn from client's accounts, HFI acknowledges that:

- Clients provide written authorization permitting the adviser's fee to be paid directly from the client's account(s) held by independent custodian(s);
- The independent custodian(s) send to the client, at least quarterly, a statement indicating all amounts disbursed from the account;
- It is the client's responsibility to verify accuracy of the fee calculation and the custodian will not determine whether the fee is properly calculated. HFI still maintains the fiduciary duty to ensure that the fees are calculated accurately.

**401K Tactical Asset Management Program (TAMP):**

An initial setup fee for this service will vary between \$195 and \$395 depending on the level of service desired. An ongoing service fee of \$35 to \$75 will be payable on a quarterly basis in advance. This fee is negotiated depending on the level of service required.

**Retirement Plan Services:**

The annual advisory fee 0.40% to 0.5% will be charged for this service. One fourth of the fee will normally be deducted from the plan each quarter, in advance.

Optional personal investment advice to individual participants for their specific accounts can be provided for an annual fee of 0.5%. One fourth of this fee will be deducted from the participant's account on a quarterly basis.

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**Other Fees**

Custodians may charge transaction fees on purchases or sales of individual securities, 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.

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**Expense Ratios**

Mutual funds and exchange traded 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 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid to HFI.

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

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## **Tailored Relationships**

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements may be created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

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## **Hourly Planning Engagements**

HFI provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements is \$195.

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## **Termination of Agreement**

A Client may terminate any of the aforementioned agreements at any time by notifying HFI in writing 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, HFI will refund any unearned portion of the advance payment.

HFI may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, HFI will refund any unearned portion of the advance payment.

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## **Past Due Accounts and Termination of Agreement**

HFI reserves the right to stop work on any account that is more than 30 days overdue. In addition, HFI 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 HFI's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

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## **Performance-Based Fees**

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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.

HFI does not use a performance-based fee structure because of the potential conflict of interest. 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**

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### **Description**

HFI generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, corporations or business entities.

Client relationships vary in scope and length of service.

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### **Account Minimums**

The minimum account size is generally \$250,000 of assets under management.

Depending upon circumstances, HFI may sign an Hourly Agreement with the client if assets have diminished significantly below the minimum.

HFI 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 the minimum within a reasonable time. Other exceptions will apply to employees of HFI and their relatives, or relatives of existing clients.

Clients receiving ongoing asset management services will be assessed a \$295 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.

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

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### **Methods of Analysis**

Security analysis methods may include fundamental analysis and technical analysis.

The main sources of information include financial newspapers, research materials prepared by others, corporate rating services, annual reports, and prospectuses.

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### **Investment Strategies**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each investment client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

Exchange traded funds, mutual funds, or individual securities may be used. The primary investment strategies used on client accounts may be one or more of the following:

**Strategic:** Assets are globally diversified to control the risk associated with traditional markets. Accounts are rebalanced on a periodic basis.

**Tactical Constrained:** Assets in these accounts will be actively managed and may underweight or overweight specific asset classes from the core models in an effort to add value. Minimum and maximum limits are specified for exposure to equities and fixed income, depending on the risk profile of the client.

**Tactical Unconstrained:** Assets in these accounts will be actively managed and may underweight or overweight specific asset classes from the core models in an effort to add value. There are no minimum and maximum limits specified for exposure to equities or fixed income. Accounts may be 100% in cash at times deemed appropriate by the account manager.

**Absolute Return:** Assets will be managed on a very conservative basis to help minimize losses during down markets. Returns during rising markets may be diminished due to the conservative nature of this strategy.

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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 fluctuate. 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, exchange traded fund, 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' 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

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### Legal and Disciplinary

HFI 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

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### Financial Industry Activities

Max W. Smith, CFP<sup>®</sup>, CIMA<sup>®</sup>, and Kent G. Forsey, are not engaged in professions other than giving investment advice with one exception; they are licensed to sell insurance products. Less than 1% of their work week is spent on this activity. Since this is a potential conflict of interest it will be the practice of Max and Kent to disclose to the purchasing client, the amount of commissions expected.

### Affiliations

Hillspring Financial, Inc. will use the support services of Genworth Financial Wealth Management, Inc., registered investment advisors, when managing client assets in the CIM System Program. When doing so, Genworth Financial Wealth Management, Inc. will receive a portion of the fees charged to the client.

Max W. Smith, CFP<sup>®</sup>, CIMA<sup>®</sup>, and Kent G. Forsey are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, Max and Kent will receive commissions for selling these

products. Since this is a potential conflict of interest it will be their practice to disclose to the purchasing client, the amount of commissions expected.

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

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### **Code of Ethics**

The employees of HFI 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.

### **Participation or Interest in Client Transactions**

This Code establishes rules of conduct for all employees of HFI and is designed to, among other things; govern securities trading activities in the accounts of employees. The Code is based upon the principle that HFI and its employees owe a fiduciary duty to HFI's clients to conduct their affairs, including their securities transactions, in such a manner as to avoid:

- Serving their own personal interests ahead of clients;
- Taking inappropriate advantage of their position with the firm and;
- Any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

### **Personal Trading**

The Chief Compliance Officer of HFI is Max W. Smith, CFP<sup>®</sup>, CIMA<sup>®</sup>. He reviews all employee trades each quarter. His trades are reviewed by Kent G. Forsey. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

Other than various insurance companies indicated above, HFI does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. HFI recommends custodians based on the proven integrity and financial responsibility of the respective company and the best execution of orders at reasonable trading cost rates.

HFI recommends qualified custodians such as TD Ameritrade for securities other than variable annuities. Custodians for variable annuities are currently Prudential and Ameritas.

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### **Best Execution**

All accounts managed in-house for a fee at TD Ameritrade Institutional use mutual funds and Exchange Traded Funds (ETFs). TD Ameritrade has a significant list of mutual funds that can be traded without commissions or transaction fees. It is the policy of HFI to use no-transaction-fee (NTF) funds whenever feasible.

The balance of the managed accounts are held at TD Ameritrade Institutional and Genworth Financial Trust Company. All of these accounts are administered by Genworth Financial Wealth Management, Inc., a third-party asset-management company. At this point all accounts are made up of mutual funds and ETFs. The clients are not charged a trading fee for mutual fund or ETF transactions. These costs are covered by a quarterly custodial fee.

This fee is disclosed in writing before opening the account. HFI does not receive any portion of the trading fees.

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### **Soft Dollars**

HFI does not participate in soft dollar arrangements.

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### **Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

## **Review of Accounts**

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### **Periodic Reviews**

Max W. Smith, CFP<sup>®</sup>, CIMA<sup>®</sup>, and Kent G. Forsey will review all investment advisory accounts under fee-based management as often as necessary to take into consideration current and projected market changes. At a minimum, accounts will be reviewed once a year, but reviews are generally performed on a quarterly basis.

No particular sequence will be used and the matters reviewed will include past performance, projected trends, current financial status and the estimated impact from the current and projected market changes.

Unless the client is under a fee arrangement no review will be made unless agreed upon in writing. All investment advisory clients are advised that it remains their responsibility to advise HFI of any changes in their investment objectives,

investment policy, or the overall objectives for them or their retirement plan. All clients are encouraged to comprehensively review personal or plan objectives, investment objectives, investment policy, and performance with HFI on at least an annual basis.

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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 participating in the PAM Program will not receive written performance reports. However, they will (at their request) have access to an active website which will maintain up-to-date, current and historical account values.

Clients will receive monthly statements from the custodian in either digital or paper format, as desired.

Investors participating in Hillspring Financial, Inc. CIM System will receive monthly account statements and quarterly reports showing the investment performance of their accounts.

Account reviewers consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

HFI has been fortunate to receive many client referrals over the years. The referrals came 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.

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### **Referrals Out**

HFI does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

# Custody

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## Account Statements

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record or electronically, at least quarterly.

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## Performance Reports

As applicable, clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by HFI.

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## Net Worth Statements

Clients are frequently provided net worth statements and net worth graphs as appropriate and as requested. 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. 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.

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# Investment Discretion

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## Discretionary Authority for Trading

HFI accepts limited discretionary authority to manage securities accounts on behalf of clients. HFI 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.

The client approves the custodian to be used. HFI does not receive any portion of the transaction fees paid by the client to the custodian on certain trades.

Limited discretionary trading authority facilitates placing trades in client accounts on their behalf so that HFI may promptly implement the investment policy that they have approved in writing.

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## Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. The client signs a limited power of attorney so that HFI may execute the trades they have approved.

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## **Voting Client Securities**

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### **Proxy Votes**

HFI does not vote proxies on securities. Clients are expected to vote their own proxies.

When assistance on voting proxies is requested, HFI will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

## **Financial Information**

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### **Financial Condition**

HFI 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 HFI does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$600 per client, and six months or more in advance.

## **Business Continuity Plan**

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### **General**

HFI 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 personnel.

### **Disasters**

The Business Continuity Plan covers natural disasters as well as man-made disasters. Electronic files are backed up daily and archived offsite.

### **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.

## **Information Security Program**

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### **Information Security**

HFI maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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## Privacy Notice

HFI 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, e-mail at [info@hillspringfinancial.com](mailto:info@hillspringfinancial.com), 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.

## Brochure Supplement (Part 2B of Form ADV)

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### Education and Business Standards

HFI requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

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### Professional Certifications

Max W. Smith, CFP<sup>®</sup>, CIMA<sup>®</sup>, has earned certifications and credentials that are explained in further detail.

Certified Financial Planner (CFP<sup>®</sup>): Certified Financial Planners are licensed by the CFP Board to use the CFP mark.

CFP<sup>®</sup> certification requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successfully complete the 10-hour CFP<sup>®</sup> Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.
- Successfully complete 30 hours of continuing education every two years.

Certified Investment Management Analyst (CIMA<sup>®</sup>): Certified Investment Management Analysts are licensed by the Investment Management Consultants Association.

CIMA<sup>®</sup> certification requirements:

- At least three years of broad experience in the field of investment management consulting;
- Successfully pass an extensive background check;
- Successfully complete the demanding educational program;
- Successfully complete a comprehensive examination;
- Continually adhere to a rigorous code of professional responsibility;
- Successfully complete 40 hours of continuing education every two years.

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## Full-time Employee Certifications and Background

### **Max W. Smith, CFP<sup>®</sup>, CIMA<sup>®</sup>**

- Date of birth: May 17, 1946
- Undergraduate - Brigham Young University; 1964/65 and 1967/68
- Bachelor of Science Degree - Utah State University - 1970
- December 2007 to present: Chairman/President and Investment Advisor Representative of Hillspring Financial, Inc., a Registered Investment Advisory Firm
- June 1993 to December 2007: Chairman of the Center for Investment Management, Inc., an Investment Advisory Firm. Firm was renamed Hillspring Financial, December, 2007.
- July 1993 to June 2003: Registered Representative, Registered Principal, and branch manager for Securities America, Inc.

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

### **Kent G. Forsey**

- Date of birth: February 17, 1959
- University of Utah – one year
- Brigham Young University – Bachelor's degree in Business Finance with a minor in Economics.
- September 2010 to Present: Senior Vice President and Investment Advisor Representative of Hillspring Financial, Inc., a Registered Investment Advisory Firm
- April 2005 to September 2010: Registered Representative for Morgan Stanley Smith Barney

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

### **Lana D. Magee**

- Date of birth: September 28, 1965
- Pikes Peak Community College
- May 2008 to present: Chief Financial Officer of Hillspring Financial, Inc., a Registered Investment Advisory Firm
- April 2007 to May 2008: Client Relations Manager of Hillspring Financial, Inc., a Registered Investment Advisory Firm
- April 2004 to April 2007: Office Manager for Plantera Group, Inc.

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None

Bankruptcy Petition: None

Supervision:

Max W. Smith, CFP<sup>®</sup>, CIMA<sup>®</sup>, is supervised by Kent G. Forsey, President.

Kent G. Forsey is supervised by Max W. Smith, CFP<sup>®</sup>, CIMA<sup>®</sup>, Chairman and Chief Compliance Officer. They review each other's work through frequent office interactions, regular staff meetings and periodic reviews of work completed.

Both supervisors' contact information:

- 623-583-6141
- [info@hillspringfinancial.com](mailto:info@hillspringfinancial.com)

## **Appendix A**

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### **ADV Appendix 1 (Genworth Financial Wealth Management)**

See following pages.



Genworth®  
Financial

# PLATFORM DISCLOSURE BROCHURE

## Form ADV – Appendix 1

SEC File Number – 801 56323  
IA Firm CRD Number - 109018  
Effective March 31, 2011

### ITEM 1 – COVER PAGE

**Genworth Financial  
Wealth Management, Inc.**

**Jessica R. Cataudella**  
Chief Compliance Officer  
2300 Contra Costa Blvd.  
Suite 600  
Pleasant Hill, CA 94523  
800 664.5345  
GenworthWealth.com

*This Genworth Financial Wealth Management Disclosure Brochure provides information about the qualifications and business practices of Genworth Financial Wealth Management (“GFWM”). If you have any questions about the contents of this Brochure, please contact the GFWM using the information shown on the left. 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. GFWM is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.*

*Additional information about GFWM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**ITEM 2 – MATERIAL CHANGES**

This brochure is a new document prepared in response to the 2010 amendments to SEC Form ADV Part 2A, Appendix 1. It is materially different from previous wrap program brochure filings and includes certain new information that GFWM's previous brochure did not require.

In the future, Item 2 will be used to provide clients with a summary of material changes that are made to this brochure since the last annual update.

Additionally, this brochure must be filed online with the SEC.

**ITEM 3 – TABLE OF CONTENTS**

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## ITEM 4 – SERVICE, FEES AND COMPENSATION

### WRAP FEE PROGRAM – THE FINANCIAL ADVISORY FIRM

The Platform described in this Disclosure Brochure is offered through financial advisory firms such as registered investment advisers and broker-dealers (each, a “Financial Advisory Firm”), serving as the individual investment advisor for each client (the “Client”) with accounts invested through the Platform. In order to participate in the Platform, the Client and the Financial Advisory Firm will enter into a Client Services Agreement that outlines the services to be performed by the Financial Advisory Firm, the authority of the Financial Advisory Firm and the Client over transactions in the Client’s account, the compensation payable by the Client and other important provisions governing participation in the Platform. The Financial Advisory Firm evaluates the Client’s investment needs and objectives, consults with the Client concerning the Client’s participation in the Platform and is responsible for determining the suitability of various Platform options (“Investment Solutions”) for the Client’s investment objectives and financial condition. Each of the Investment Solutions may be implemented with a number of options, including a range of Risk/Return Profiles (the “Risk/Return Profiles”) and Asset Allocation Approaches (the “Asset Allocation Approaches”), each described below, so that the Client can customize a strategy by which each of the Client’s accounts under the Platform will be managed or maintained. The specific Investment Solution and the components of the strategy selected for the Client’s Account are referred to as the Client’s investment “Strategy.” A Client may establish one or more investment accounts (each an “Account”) through the Platform, and the Client’s Accounts are collectively referred to as the Client’s “Portfolio.”

Set forth below is a description of the components and function of the Platform.

### GENWORTH FINANCIAL WEALTH MANAGEMENT

Genworth Financial Wealth Management, Inc. (“GFWM”) is a registered investment advisor with the Securities and Exchange Commission (SEC), and provides consulting services to other advisors and investment advisory clients. GFWM is the sponsor of the Platform, and consults with the Financial Advisory Firms to implement the Platform for their Clients. As part of its consulting services, GFWM provides Account administration and has developed internet-based software which provides the Financial Advisory Firm with the capability of directly monitoring its Client Accounts, downloading information concerning changes in the Platform, and accessing current information relating to the Platform. GFWM also serves as the Portfolio Strategist for the Genworth Portfolio Solutions Strategies (“GPS Strategies”), as described further below. GPS Strategies will invest in pre-determined allocations of the GuidePath Funds, the GuideMark Funds and alternative investments including the Altegris Managed Futures Strategy Fund. The Altegris Managed Futures Strategy Fund (the “Altegris Advised Fund”) is managed by Altegris Advisors, an affiliate of GFWM.

Additionally, GFWM also serves as the investment advisor for the following registered investment companies that may be available in the Platform:

- 1) GPS I, a series of sub-advised no load mutual funds that include the GuideMark Funds (formerly known as the AssetMark Funds), available in certain Investment Solutions offered under the Platform;
- 2) GPS II, a series of no-load mutual funds that include two GuideMark Funds as well as four GuidePath funds of funds, available in certain Investment Solutions offered under the Platform;

- 3) the Genworth Financial Contra Fund, a registered investment company used by GFWM in risk mitigation strategies in some Investment Solutions

## PLATFORM OVERVIEW

### INTRODUCTION

To establish a Client’s Account in the Platform, the Financial Advisory Firm and Client will enter into a Client Services Agreement. In establishing the Account, the Client may complete a questionnaire to enable the Client and the Financial Advisory Firm to identify more clearly the Client’s risk tolerance and rate of return objectives in the context of the Platform, and will provide information concerning the Client’s investment experience, anticipated need for liquidity, potential timing of the need for retirement funds, and other investment needs and parameters. This information will assist the Client and the Financial Advisory Firm in selecting which of the Risk/Return Profiles, is most closely aligned with the Client’s investment goals.

### RISK/RETURN PROFILES

One of the fundamental elements of the Platform is establishing the Client’s appropriate Risk/Return Profile. These Profiles range from most conservative (lowest estimated risk and lowest potential return) to most aggressive (highest estimated risk and highest potential return).

The investment objectives for each of the six Risk/Return Profiles are listed below:

#### *Profile 1 – Conservative*

The profile is designed for an investor who wants to focus on preservation of capital as a primary goal and wishes to minimize downside risk.

#### *Profile 2 – Moderate Conservative*

The profile is designed for an investor who seeks to preserve capital but wishes to assume moderate downside risk in order to earn a return sufficient to preserve purchasing power.

#### *Profile 3 – Moderate*

The profile is designed for an investor who seeks to balance risk of loss to capital with capital appreciation.

#### *Profile 4 – Moderate Growth*

The profile is designed for an investor who seeks enhanced capital appreciation and is willing to accept greater risk of downside loss and volatility of returns.

#### *Profile 5 – Growth*

The profile is designed for an investor who seeks significant capital appreciation and is willing to accept a correspondingly greater risk of loss and volatility of returns.

#### *Profile 6 – Maximum Growth*

The profile is designed for an investor who seeks the highest level of capital appreciation and is willing to accept the correspondingly greater risk of loss and volatility of returns.

The percentage allocation to equity securities targeted for each Risk/Return Profile increases for each Profile from Conservative, which would include the lowest target allocation of equity securities, through Maximum Growth, which would include the highest target allocation of equity securities.

## ASSET ALLOCATION APPROACHES

The next element of establishing the Client's investment objective is to identify the Asset Allocation Approach. Some strategies within certain Investment Solutions, i.e. Altegris Strategies, and some Investment Solutions i.e. Individually Managed Accounts and Manager Select Accounts, are not categorized into any one of these approaches. The following four Asset Allocation Approaches are available. Additionally, the Client may select GPS Strategies which will allocate assets across some or all asset allocation approaches and may also include additional investment options.

### *Strategic Asset Allocation*

- Seeks to optimize risk adjusted return while adhering to asset allocation parameters.
- Relative market exposure and market performance will be important to return results.

### *Tactical Constrained Asset Allocation*

- Seeks to optimize risk adjusted returns while adhering to asset allocation parameters and utilizing tactical deviations from the mix in efforts to add additional value.
- Relative market exposure and market performance will be important to return results with further impact from tactical decision making.

### *Tactical Unconstrained Asset Allocation*

- Seeks to optimize risk adjusted returns without regard to asset allocation parameters.
- Relative return exposure will vary over time and, as a result, the decisions made regarding the magnitude and types of asset class exposure taken over time will be important to return results, along with the performance of those asset classes.

### *Absolute Return Allocation*

- Seeks to capture modest positive returns over time regardless of general market direction while managing broad market risk and correlation.
- Active investment decisions made with regard to specific asset class exposures and security selections will be important to return results along with performance of the selected investments.

### *GPS Strategies*

- GPS Strategies are a set of pre-determined investment strategies that are allocated across some or all of the previously indicated four asset allocation approaches and additional investment options.

## INVESTMENT SOLUTIONS

GFWM makes a number of different Investment Solutions available to Clients through the Platform. These include:

- Mutual Fund Accounts
- ETF Accounts
- Variable Annuity Accounts
- Privately Managed Accounts ("PMA"), including:
- Individually Managed ("IMA") Accounts,
- Manager Select Accounts ("MSA"),
- GFAM Principal Return Exposure Strategy ("PRX"),
- GFAM Preservation Strategy,
- GFAM Fixed Income Accounts
- GFAM Strategy designed for use with LifeHarbor Income Certificate ("GFAM-LHIC"), and
- Consolidated Managed Accounts ("CMA"):

- Unified Managed Accounts, including:
- Privately Managed Portfolios ("PMP") Accounts,
- Genworth Multiple Strategies ("GMS") Accounts, and
- Active Return Opportunities ("ARO") Accounts

The asset allocations created by Portfolio Strategists are comprised of (i) open-end mutual funds, (ii) Exchange Traded Funds (ETFs), which are baskets of securities, tracking a wide variety of market indexes, that are traded as individual securities on a national exchange, (iii) variable annuity sub-accounts with certain variable annuity issuers, and (iv) individual securities for Consolidated Managed Accounts. Each of these Investment Solutions is discussed in more detail in separate subsections below.

The Portfolio Strategists select and monitor the performance of the mutual funds, ETFs, variable annuity sub-accounts and securities in their asset allocations and will periodically adjust and rebalance the asset allocations in accordance with their investment strategies.

For time to time, GFWM may add or delete from the Platform:

- a) The mutual funds, ETFs, variable annuity sub-accounts, and variable annuity issuers available through the Platform;
- b) the investment managers used in the IMA Accounts;
- c) Portfolio Strategists; and
- d) other investment management firms providing asset allocations and asset selections for Platform Investment Solutions.

The Financial Advisory Firm reviews the Portfolio Strategists', investment managers' and investment management firms' decisions on behalf of the Client and makes or recommends investment decisions (depending upon the specific form of Client Services Agreement entered into between the Financial Advisory Firm and the Client) based on such analysis.

Additionally, the Client may establish an Account to hold "non-managed" assets (an "Administrative/Non-Managed Account"), including a Cash Alternative Account and a General Securities Account.

## PORTFOLIO STRATEGISTS

GFWM establishes and will periodically review and confirm or adjust the guidelines provided to the institutional investment management firms, referred to as Portfolio Strategists ("Portfolio Strategists"), who create the asset allocations under each of the Risk/Return Profiles. Altegris, an affiliate of GFWM, serves as the Portfolio Strategist for the Altegris Strategies and GFWM serves as the Portfolio Strategist for the GPS Strategies.

The Portfolio Strategists used in mutual fund, ETF, variable annuity and CMA Accounts are selected by GFWM in order to provide a wide range of investment options and philosophies to Financial Advisory Firms and their Clients. In constructing their asset allocations, each of the Portfolio Strategists will generally provide a range of asset allocations that will correspond to one or more of the four Asset Allocation Approaches and one or more of the six Risk/Return Profiles, ranging from "Conservative" to "Maximum Growth." The Portfolio Strategists use technical and/or fundamental analysis techniques in formulating their Asset Allocation Approaches and some will incorporate strategies with specific income distribution objectives. Although each of the Risk/Return Profiles includes asset allocations developed by several Portfolio Strategists, each of the Portfolio Strategists nevertheless has its own investment style resulting in the use of different asset class and mutual fund, ETF, variable annuity sub-account, or investment management firm allocations within their asset allocations. The Asset Allocation Approaches will be comprised of a combination of asset classes, represented by mutual

funds, ETFs, variable annuity sub accounts, or individual securities in Accounts, and these asset classes may include, but are not limited to the following:

- *US equities* – Large Cap Growth, Large Cap Value, Mid Cap Growth, Mid Cap Value, Small Cap Growth, Small Cap Value
- International equities – Developed Markets, Emerging Markets
- *Fixed Income* – US Core, High Yield, Global, International, Emerging Markets
- Other – REITs, Commodities, Absolute Return Strategies, hedging strategies and other non-standard sectors
- Cash

The objective is to provide Clients with a variety of asset allocation methods for accomplishing the Client's investment objectives. The Clients and the Financial Advisory Firms must review each Portfolio Strategist's investment style prior to making the election of which Portfolio Strategist and Asset Allocation Approach to follow for each Client Account under the Platform.

Portfolio Strategists will provide GFWM with instructions to rebalance (return back to policy mix) and/or reallocate (change the target mix) portfolios, either periodically or as they deem appropriate over time, depending on their specific Asset Allocation Approach and investment process. These adjustments to the asset allocations will result in transactions in accounts; which are directed and invested according to the respective asset allocations outlined in the Client Services Agreement. In the Client Services Agreement, the Financial Advisory Firm or the Client (depending on whether the form of Agreement is Discretionary or Non-Discretionary, respectively) instructs and directs that the Client's account be invested in accordance with all adjustments and rebalancing of the asset allocations identified on the Account Set-Up Form unless and until the Client or Financial Advisory Firm expressly terminates the automatic adjustment and rebalancing and/or executes written instructions to change the Portfolio Strategist or asset allocations in which the account is invested. In this way, the Client's account will be automatically traded to track all adjustments and rebalancing made by the Portfolio Strategists of the asset allocations currently reflected on the Account Setup Form unless and until the Client or Financial Advisory Firm (depending on the authority in the Client's Agreement) instructs otherwise. Client will receive notification of all transactions implemented in the account in compliance with the foregoing instructions on a periodic basis in the form of an account statement to be provided by the account Custodian.

As mentioned above, GFWM may from time to time add or remove a Portfolio Strategist from those it makes available on the Platform. As the Portfolio Strategists or GFWM recognize other mutual funds, ETFs and investment management firms suitable for the Platform, GFWM may periodically add mutual funds, ETFs and investment management firms to those available for use in the Portfolio Strategists' asset allocations, and GFWM may periodically remove mutual funds, ETFs and investment management firms from the list of those available through the Platform. Variable annuity sub-accounts available to the Portfolio Strategists will depend upon the individual variable annuity issuer selected by the Client and will be more fully described in the Prospectus delivered to the Client by the variable annuity issuer.

Although most of the Portfolio Strategists creating asset allocations composed of mutual funds consider all of the mutual funds available under the Platform in designing their asset allocations, certain Portfolio Strategists compose their mutual fund asset allocations utilizing only those mutual funds managed by affiliates of the Portfolio Strategist. These "proprietary" Portfolio Strategists will be identified in the descriptive materials provided to Clients and Financial Advisory Firms. In addition, one or more of the Portfolio Strategists will construct their asset allocations using funds managed by GFWM or an affiliate,

including the GuideMark and GuidePath Funds and Altegris advised funds. GFWM and Altegris advised mutual funds are collectively known as "Proprietary/Affiliated Funds". The GuideMark and GuidePath Funds are a series of no-load mutual funds advised by GFWM and sub-advised by a group of unaffiliated institutional investment managers. Both Altegris and GFWM serve as Portfolio Strategists and they both use Proprietary/Affiliated Funds in their respective Strategies. A Prospectus for the Proprietary/Affiliated Funds may be obtained upon request from GFWM or your Financial Advisor. Please review and consult with your Financial Advisor if you have further questions regarding these Funds.

GFWM provides the Financial Advisory Firm, who then provides the Client, written descriptions of each of the Portfolio Strategists, including a brief history of each firm and an overview of the Portfolio Strategists' key investment management personnel. The Client and Financial Advisory Firm may select more than one Portfolio Strategist and/or asset allocation for the Client's Accounts, and, as noted above, the Client and Financial Advisory Firm are free to change Portfolio Strategists, asset allocations or the mutual fund, ETF or variable annuity sub-account components of their Portfolios from time to time, though any change by a Client in the components of a specific asset allocation used for a Client's Account will result in a custom portfolio for that Account which would no longer be automatically rebalanced along with the Portfolio Strategist's rebalancing of its asset allocation. The Client is free to consult with the Financial Advisory Firm at any time concerning the portfolio, and GFWM is available to consult with Clients and Financial Advisory Firms concerning the administration of the Platform. It is not anticipated that Clients or Financial Advisory Firms will have the opportunity to consult directly with the Portfolio Strategists concerning their asset allocation Strategies, although the Financial Advisory Firms will be provided with information concerning such Strategies and any updates or revisions to such information.

#### **MUTUAL FUND, EXCHANGE TRADED FUND (ETF) AND VARIABLE ANNUITY ACCOUNTS**

GFWM has developed relationships with a group of mutual fund families, through its Custodian partners, representing a variety of mutual funds to be used as the vehicles for implementing the Portfolio Strategists' asset allocations. This group of mutual funds includes both no-load mutual funds (that is funds which do not include a sales load) and mutual funds that generally do charge a sales load, but which are available through the Platform at each fund's net asset value and without any sales charge. The mutual funds available provide the Portfolio Strategists with a diversified range of asset classes and investment objectives from which to select in structuring their asset allocation strategies. The fund families will be made available for use by the Portfolio Strategists based on a number of criteria, and fund families may be added or removed from the Platform by GFWM from time to time.

In the Mutual Fund Investment Solution, all four Asset Allocation Approaches, Strategic Asset Allocation, Tactical Constrained Asset Allocation, Tactical Unconstrained Asset Allocation and Absolute Return Allocation Approaches, are available. For Strategic Asset Allocation, Tactical Constrained Asset Allocation Approaches and Tactical Unconstrained Asset Allocation, the Client may choose an Investment Solution that invests in shares of 1. Proprietary/Affiliated Funds, advised by GFWM or an affiliate; or 2) third-party mutual funds, not advised by GFWM. Third party mutual fund solutions may also include an allocation to Proprietary/Affiliated funds selected by the Portfolio Strategist. For the Absolute Return Allocation Approach, only third-party mutual fund options are available. Additionally, the Client may select GPS Strategies advised by GFWM, which will allocate assets across some or all asset allocation approaches and to additional investment options.

In the ETF Investment Solution, Strategic Asset Allocation, Tactical Constrained Asset Allocation, Tactical Unconstrained Asset Allocation and Absolute Return Allocation Approaches are available.

In the Variable Annuity Investment Solutions, through its GFAM division, GFWM's investment of the Account will be consistent with a Tactical Constrained Asset Allocation approach only.

For a Mutual Fund and ETF Investment Solution, the Client, with the assistance of the Financial Advisory Firm, selects for the management of the Account: (1) a Risk/Return Profile; (2) an Asset Allocation Approach, as represented by the selected Portfolio Strategist; and (3) for some, but not all, Mutual Fund and ETF Investment solutions, a Mandate. For certain mutual fund strategies where Altegris is the Portfolio Strategist, an asset allocation approach is not selected.

## GPS STRATEGIES

For the GPS Strategies, GFWM, as the Portfolio Strategist will allocate across the asset allocation approaches based upon the Client's investment objectives, market outlook, risk profile & other preferences.

A variety of pre-set investment strategies will be available using a mix of Strategic, Tactical Constrained, Tactical Unconstrained, and Absolute Return Asset Allocation Approaches. The GPS Strategies may also include Altegris Funds and other investments. With the assistance of the Financial Advisor, the Client's selected GPS Strategy will also take into account the Client's investment objective, if the client is in an accumulation or distribution phase, or seeks to use the GPS Strategies as a completion strategy. Additionally, the selected GPS Strategy will also take into account whether the Client's market outlook is generally positive, negative or neutral.

### *Investment Objective: Accumulation vs. Distribution*

An accumulation objective typically refers to investors that are still working and seeking to build their wealth base. A distribution objective typically refers to investors who are in or near retirement and seeking to take withdrawals from their asset base over time.

- *Accumulation Objective* – Strategies are allocated with a blended mix of Strategic Asset Allocation, Tactical Constrained Asset Allocation, Tactical Unconstrained Asset Allocation and Absolute Return Asset Allocation exposure along with an allocation to Alternative Investment asset classes.
- *Distribution Objective* – Strategies are allocated with a blended mix of Strategic Asset Allocation, Tactical Constrained Asset Allocation, Tactical Unconstrained Asset Allocation and Absolute Return Asset Allocation exposure along with an allocation to Alternative Investment asset classes with a generally greater allocation to the Absolute Return asset allocation approach than strategies seeking an Accumulation objective.

### *Market Outlook*

Clients and their Financial Advisor may choose to discuss or share perspectives with regard to the expected long-term market environment into which clients are investing. Generally speaking, secular bull and bear markets are defined as long-term (greater than 5 years) periods in which equities either advance substantially or retract or fail to advance. Depending on a client and/or Financial Advisor's predisposition to have an outlook or perspective on the market environment into which a client is investing, pre-set GPS Strategies have been constructed to make tilts to asset allocation approaches that GFWM believes may benefit from the corresponding anticipated market environment.

- *Neutral Outlook or No Opinion on Market Outlook* – Strategies are allocated with a blended mix of Strategic Asset Allocation, Tactical Constrained Asset Allocation, Tactical Unconstrained Asset Allocation and Absolute Return Asset Allocation exposure along with an allocation to Alternative Investment asset classes without any significant tilts to account for market outlook
- *Positive or Bullish Market Outlook* – Strategies are allocated with greater emphasis toward Strategic Asset Allocation and Tactical Constrained Asset Allocation Approaches than the Neutral outlook.
- *Negative or Bearish Market Outlook* – Strategies are allocated with greater emphasis toward Tactical Unconstrained and Absolute Return Asset Allocation Approaches than the Neutral outlook.

### *Completion Strategies*

Completion strategies provide a means for clients to access pre-set strategies based primarily on the client's risk profile and their desire for focused exposure to one or more Asset Allocation approaches. These include either a combination of Strategic Asset Allocation and Tactical Constrained Asset Allocation approaches (referred to as Relative Return), or either specific or a combination of Tactical Unconstrained and Absolute Return asset allocation approaches.

- *Relative Return Focused* – Strategies are generally allocated to the Strategic Asset Allocation and Tactical Constrained Asset Allocation approaches in a blended mix.
- *Unconstrained Return Focused* – Strategy is allocated solely to the Tactical Unconstrained asset allocation approach.
- *Unconstrained/Absolute Return Focused* – Strategies are allocated to the Tactical Unconstrained and Absolute Return asset allocation approaches in a blended mix.
- *Absolute Return Focused* – Strategy is allocated solely to the Absolute Return Asset Allocation approach.

For the Variable Annuity Investment Solution, the client, with the assistance of the Financial Advisory Firm, selects for the management of the Account: (1) a Risk/Return Profile; and (2) an Asset Allocation Approach, as represented by the selected Portfolio Strategist.

GFWM has also developed an administrative structure allowing for the development of portfolios using ETFs, which are traded daily at market determined prices on a national exchange in a similar manner to other individual equity securities. Although ETFs are priced intra-day in the same manner as other equity securities, GFWM directs trades for ETFs to the Custodian selected by the Client and the Financial Advisory Firm once daily. The actual timing of trade order execution may vary, depending upon trade volume, systems limitations and issues beyond GFWM's control. In any case, all ETF trades for a given day are placed at the same time in order to provide the most feasibly equivalent execution for all participating clients. With respect to ETF Accounts which may include ETFs for which it may be impracticable to execute transactions in a single day in response to a Portfolio Strategist's adjustments and rebalancing of its ETF asset allocation model, the Client also hereby instructs, authorizes and directs that such Accounts be traded in accordance with instructions on timing and price levels given by GFWM to the Custodian, which GFWM may obtain from the Portfolio Strategist to the extent practicable or, in the case of exceptionally high volume requests, in accordance with instructions provided by GFWM to an alternate broker or "authorized participant" liquidity provider selected by GFWM with the instruction to provide liquidity on a net fee basis

In addition, to the extent possible, GFWM accommodates same day trading recommendations from Portfolio Strategists. These changes are implemented for all client accounts, unless the account is pending any client-directed activity. Those accounts that are pending

for client directed activity will be traded the next day to realign with the trading recommendations provided by the Portfolio Strategist the prior day.

Clients establishing variable annuity accounts in the Platform have the opportunity to select asset allocations developed by GFWM's Genworth Financial Asset Management ("GFAM") division as the Portfolio Strategist. The allocations use those specific variable annuity sub-accounts included in the Prospectus delivered to the Client by the variable annuity issuer. GFWM has not individually selected these sub-accounts, and GFWM is unable to add or remove sub-accounts except as the list of sub-accounts is revised by each variable annuity issuer.

All mutual funds and ETFs purchased for the Client's Portfolio are held by a Custodian selected by the Client and the Financial Advisory Firm. Each of the Client's investments is held by the Custodian in the Client's name in a separate account. The Client is entitled to receive a copy of the Prospectus for each mutual fund, and confirmations of each security purchased and sold for the Client's account (either separately or as part of the periodic custodial statement) and copies of all annual and periodic reports issued by the mutual funds the client holds, and the Client may be able to delegate receipt of such materials and confirmations to a third party, such as the Client's Financial Advisory Firm, depending on the terms of the custody agreement with the Client's Custodian. In addition, the Client retains all indicia of beneficial ownership, including, without limitation, all voting power and other rights as a security holder in each of the funds held for the Client. Variable annuity sub-accounts will be held pursuant to the terms and conditions contained in a variable annuity Prospectus delivered to the Client by the specific variable annuity issuer.

Upon any portfolio rebalancing by a Portfolio Strategist, change in Portfolio Strategist or asset allocation selection by the Client or Financial Advisory Firm, or any other transaction in the Client's Account, the transactions will be effected automatically through software administered by GFWM.

## PRIVATELY MANAGED ACCOUNTS

A Privately Managed Account can be established as an Individual Managed Account ("IMA"), Manager Select Account ("MSA"), GFAM Principal Return Exposure Strategy ("PRX"), GFAM Preservation Strategy, GFAM Fixed Income Account, a Consolidated Managed Account ("CMA"), or a Unified Managed Account ("UMA").

### INDIVIDUAL MANAGED ACCOUNT ("IMA")

GFWM has contracted with a number of institutional investment management firms (the "Investment Managers") to provide discretionary investment management services to IMA Clients in accordance with the stated investment objectives of each Investment Manager and the individual objectives of each Client. GFWM has contracted with certain consulting firms to provide services for IMAs with respect to the selection and/or on-going monitoring of certain Investment Managers.

Each Client designates, with the assistance of the Financial Advisory Firm and based on the Client's individual investment objectives, one or more individual Investment Manager(s) and/or a selection of Mutual Funds to comprise the Client's IMA. With the exception of IMA Accounts managed by Rochdale Investment Management, LLC, there are no Asset Allocation Approaches or separate Risk/Return Profiles available for an IMA Account. IMA Accounts managed by Rochdale are available in the Tactical Unconstrained Asset Allocation Approach and the six Risk/Return Profiles, as described above under Risk/Return Profiles.

### MANAGER SELECT ACCOUNT ("MSA")

For the MSA Investment Solution, GFWM has contracted with an "Overlay Manager" to act as the Investment Manager (or Discretionary Manager) for Client Accounts. The Overlay Manager shall provide discretionary investment management services to the Account, and the Client grants the Overlay Manager the authority to buy and sell securities and investments for the Account, to vote proxies for securities held by the Account and such other discretionary authorities. GFWM has also contracted with an Investment Management Firm to provide recommendations for a specific asset class. The Overlay Manager shall generally invest the Account consistent with these recommendations unless circumstances indicate that modified allocations or investment are appropriate. GFWM may replace the Overlay Manager and Investment Manager Firm at its discretion.

For an MSA Investment Solution, the Client, with the assistance of their Financial Advisor, shall select a Strategy, which shall be an asset class, represented by a single Investment Management Firm. There are no Asset Allocation Approaches or separate Risk/Return Profiles available for an MSA Account.

### GFAM PRINCIPAL RETURN EXPOSURE STRATEGY ("PRX"), GFAM PRESERVATION STRATEGY, GFAM FIXED INCOME ACCOUNTS AND GFAM STRATEGIES DESIGNED FOR USE WITH LIFEHARBOR INCOME CERTIFICATE ("GFAM-LHIC").

GFWM, through its Genworth Financial Asset Management Division ("GFAM Division"), will serve as Investment Manager and provide discretionary investment management services for Clients invested in GFAM Principal Return Exposure Strategy ("PRX"), GFAM Preservation Strategy, GFAM Fixed Income Strategies and GFAM Strategies designed for use with LifeHarbor Income Certificate ("GFAM-LHIC"). A GFAM Disclosure Brochure, which includes more detailed information about Investment Solutions offered through GFWM's GFAM Division, will be provided to each Client.

*Principal Return Exposure ("PRX") Strategy.* The objective of the PRX Strategy is to offer clients a degree of participation in the growth of global equity markets while protecting their original principal investment. In pursuit of this objective GFAM will invest in Equity-Linked Certificates of Deposit (ELCDs). The ELCDs purchased will be those issued by well-known commercial banks, and only those eligible for FDIC insurance protection will be considered for client portfolios. The ELCD's will require a medium-term commitment by the client (typically five years), and will have a guarantee of return of principal at the end of the commitment. The ELCDs will also pay a lump-sum income payment at the end of the commitment, proportional to the amount of growth in global equity markets over the commitment period. Withdrawal of assets by the client prior to the end of the ELCD maturity may result in loss of principal. The PRX Strategy follows an Absolute Return Allocation Approach and is considered to be Risk/Return Profile 2.

*Preservation Strategy.* This Strategy's primary investment objective is to minimize losses measured over the calendar year. Intra-year volatility is not managed. The secondary objective is to maximize total return over the long term with no preference to income. This strategy may invest in, among other things, "opportunistic" or "specialized asset categories, which may include real estate, commodities, precious metals, energy and other less traditional asset classes, with no geographic restrictions, the Altegris advised fund, and the Genworth Financial Contra Fund, which is advised by GFWM. The Contra Fund seeks to provide protection against severe and sustained declines in the broad based equity markets, and it

generally invests in options on stock indices. The GFAM Preservation Strategy follows an Absolute Return Allocation Approach and is considered to be Risk/Return Profile 1.

*Fixed-Income Strategies with Laddered Bond, Municipal based, Duration based and High Yield Mandates.* In the case of Laddered Bond Mandates, these Strategies invest the Account in either U.S. Treasury, U.S. Agency, or U.S. Treasury Inflation Protected bonds, with an intermediate effective duration, on a buy and hold basis. In the case of the Municipal and Duration based Mandates and the High Yield Mandate, these Strategies invest the Account in closed-end funds, exchange traded funds or other mutual funds to obtain relevant exposure specific to these desired asset categories. There are no Asset Allocation Approaches or separate Risk/Return Profiles available for a GFAM Fixed Income Account.

*GFAM Solutions Designed For Use With LifeHarbor Income Certificate ("GFAM-LHIC").* The primary objective of these Strategies is to seek capital appreciation through tactical asset allocation across domestic and international equity and fixed income markets, through the use of ETFs and mutual funds. The Client shall select a Mandate for the management of their Account and a Risk/Return Profile 3 or 4. There are no Asset Allocation Approaches designated for this Investment Solution. For more information regarding the LifeHarbor Series, please refer to the LifeHarbor Series Prospectus and Statement of Additional Information.

This strategy is closed for new business.

### **CONSOLIDATED MANAGED ACCOUNT ("CMA")**

For CMAs, GFWM has contracted with Parametric Portfolio Associates ("Parametric") to act in the capacity of an overlay manager (an "Overlay Manager"), wherein Parametric provides limited discretionary investment management services to Clients and coordinates the management of individual CMA asset allocations. The CMA asset allocations have been constructed by Portfolio Strategists engaged by GFWM using individual securities recommendations developed and maintained by a group of independent investment management firms (the "Investment Management Firms"). The Overlay Manager will have the limited discretionary authority to execute transactions in each CMA necessary to (i) track any reallocations or other adjustments to the CMA asset allocations constructed by the Portfolio Strategists, (ii) implement changes recommended by the Investment Management Firms; (iii) effect tax management transactions for any Account for which the Client has directed the Overlay Manager to provide tax management services (a "Tax-Sensitive Account"); and (iv) implement any individual securities restrictions imposed on the Account by the Client. In addition, the Client, with the assistance of their Financial Advisory Firm, will select a "Mandate" from a range of choices. GFWM has contracted with certain consulting firms to provide services for CMAs with respect to the selection and on-going monitoring of the Investment Management Firms.

Each client selects an Asset Allocation Approach, with the assistance of the Financial Advisory Firm based on the Client's individual investment objectives, and designates Parametric as the Overlay Manager to oversee the implementation and management of the asset allocation including the allocation of assets into a number of model accounts developed and maintained by the Investment Management Firms. The standard minimum CMA investment generally is \$500,000. GFWM reserves the right, in its sole judgment, to accept certain investments below these standard minimums.

### **UNIFIED MANAGED ACCOUNT ("UMA")**

GFWM, through its Genworth Financial Asset Management Division ("GFAM"), is designated by the Client as the Overlay Manager for UMAs to provide discretionary investment management services to the Client and coordinate the management of advisory services based on specific investment objectives and strategies using a group of independent Investment Management Firms acting as portfolio advisers. As Overlay Manager for UMAs, GFAM will also select other securities directly for Client accounts.

As part of the UMA Discretionary Manager Designation, Client will direct the Overlay Manager to invest the Client's Account in accordance with a strategy offered by GFAM. UMA Investment Solutions include Genworth Multiple Strategy (GMS), Tailored Privately Managed Portfolio (PMP), and Active Return Opportunities (ARO). Investments by GFAM will be made using securities recommendations by individual Investment Management Firms and, in addition, investment selections by GFAM that include, but are not limited to, some or all of the following types of securities: exchange traded funds, closed-end funds, open-end funds, preferred stocks, treasury bonds, bills, notes and bank notes. The mutual fund investment may include the Altegris Advised Fund and the Genworth Financial Contra Fund, which is advised by GFWM. The Contra Fund seeks to provide protection against declines in the broad based equity markets, and it generally invests in options on stock indices. The asset allocation decisions, Investment Management Firm selection decisions and additional security selection decisions will all be made solely by GFAM in its discretion based on the strategies and objectives selected by the Client. This discretion may include the substitution of certain securities included in selected Investment Management Firms' asset allocations in consultation with the Investment Management Firm or otherwise.

For each UMA, risk management solutions may be implemented through the use of fixed income strategies or GFAM's Actively Managed Protection Service ("AMP"). Portfolio allocations will vary based on individual Client objectives within target allocations established and monitored by GFAM.

Set forth below are brief summaries of the GMS, PMP and ARO UMA strategies offered under the Platform. The GFAM Disclosure section includes more detailed information about Investment Solutions offered through GFWM's GFAM Division and the Actively Managed Protection Service.

*GMS.* For a GMS Investment Solution, the Client, with the assistance of their Financial Advisory Firm, will select a "Mandate" from a range of choices, a Risk/Return Profile and the type of risk management strategy for the management of their Account. In the GMS Investment Solution, the Client authorizes GFAM to provide discretionary investment management services to the Account. GFAM may invest the Account, to a substantial degree, consistent with recommendations provided by Investment Management Firms. GFWM may also invest portions of the Account in pooled investment vehicles, such as mutual funds or ETFs, or in other securities or investments. GFWM will generally not adjust the holdings in a GMS Account on an ongoing basis. Instead, unless a security exceeds a threshold decline determined by GFWM in its discretion, GFWM will generally only sell or readjust Account holdings after a one-year holding period for each position taken for all GMS Accounts, though during the first year of an individual Client's holding a GMS Account, the holding period for that Client's Account will be less than a full year.

*PMP.* For a PMP Investment Solution, the Client, with the assistance of their Financial Advisory Firm, will select a Mandate, a Risk/Return Profile and the type of risk management strategy for the management of their Account.

In the PMP Investment Solution, the Client authorizes GFAM to provide discretionary investment management services to the Account. GFAM may invest the Account, to a substantial degree, consistent with recommendations provided by Investment Management Firms. GFAM will generally adjust the holdings in a PMP Account on an ongoing basis.

*ARO.* For an ARO Investment Solution, the Client, with the assistance of their Financial Advisory Firm, will select a Mandate and a Risk/Return Profile for the management of their Account.

In the ARO Investment Solution, the Client authorizes GFAM to provide discretionary investment management services to the Account. GFAM may invest the Account, to a substantial degree, consistent with recommendations provided by Investment Management Firm, or GFAM may invest the Account in pooled investment vehicles, such as mutual funds or ETFs, or in other securities or investments. GFAM will generally adjust the holdings in an ARO Account on an ongoing basis. If the Account is a taxable account, the Account will be managed with a loss-harvesting objective and, at GFAM's sole discretion, Account assets may be sold to realize capital value losses.

All of the ARO Mandates allow for the Account to be exposed to "opportunistic" or "specialized" asset categories, which may include real estate, commodities, precious metals, energy and other less traditional asset classes, with no geographic restrictions.

**ASSETS UNDER MANAGEMENT**

As of 12/31/2010, GFWM had \$7.6 billion in assets under administration in the GFWM Platform.

**FEES AND COMPENSATION**

Clients participating in the Platform pay the Financial Advisory Firm an overall Advisory Fee that includes a Platform Fee for participation in the Platform. Clients invested in third-party IMA and UMA Investment Solutions may also pay an Investment Manager fee directly to the Investment Manager(s) that the Client designates to manage Client's Account. The full investment Advisory Fee, any initial consulting fee payable upon opening an Account or upon any additional investment in an Account, and any additional Investment Manager fee payable for a Client's Account will be set forth in the Client Billing Authorization executed with the Client Services Agreement between the Client and Financial Advisory Firm. GFWM's standard Platform Fees and other fee arrangements for each Investment Solution are described below.

The Financial Advisory Firm negotiates and contracts with the Client for a total Account Fee. This Account Fee includes the Financial Advisor's Fee plus the fee for utilizing the Platform (together, the "Advisory Fee") for participation in the Platform. This Advisory Fee is typically expressed as an annual amount equal to a percentage of assets under management, and may also include an initial consulting fee. The Platform Fee, included as part of the overall Advisory Fee paid to the Financial Advisory Firm, will be re-allowed by the Financial Advisory Firm to GFWM and others. The Platform Fee schedules listed below reflect GFWM's standard Platform Fee calculated as a percentage of the Client's assets invested in the Platform.

The Platform Fee may be higher for certain Financial Advisory Firms based on any amounts payable to broker-dealers with supervisory responsibility over the Financial Advisory Firm. In such cases, the standard Platform Fee payable by the Financial Advisory Firm may be increased and a portion of the Platform Fee otherwise payable to

GFWM is paid to the broker-dealers as compensation for supervisory services provided to the Financial Advisory Firm in connection with

the Platform. The Financial Advisory Firm may also pay GFWM a Quarterly Maintenance Fee in consideration of GFWM's performance of services in establishing the Financial Advisory Firm's participation in the Platform and providing continuing Platform support services. In addition, a portion of the Platform Fee may be paid as compensation to the Portfolio Strategists based on the assets invested in their respective asset allocations, as well as to the Overlay Manager and Investment Management Firms for services in connection with Manager Select, CMAs and UMAs.

*Initial Consulting Fee*

An Account invested in any of the above listed Investment Solutions and custodied at GFTC, may be assessed an Initial Consulting Fee ("ICF"), payable to the Financial Advisory Firm, of up to one percent (1.00%) of any cash deposit or in-kind investment transfer of \$2,000 or more.

*Administrative Fee for Administrative/Non-Managed Accounts*

The Client may establish an Account to hold "non-managed" assets (an "Administrative/Non-Managed Account"), and such Account may include a Cash Alternative Account or General Securities Account.

An Administrative/Non-Managed Account is provided as an administrative convenience for the Client. Assets in an Administrative/Non-Managed Account are not managed or advised by GFWM, and GFWM is not responsible for their investment or management. However, the assets of an Administrative/Non-Managed Account will be included in periodic GFWM reports to the Client. The Client will be solely responsible for directing the investments in the Non-Managed Account. Non-Managed assets are subject to the terms of the Client's agreement with their selected Custodian.

*Cash Alternative Account*

In the Cash Alternative Account, the Client may select among options available at their selected Custodian, which may include investments in a Money Market Fund or the Custodian's cash sweep vehicle.

*General Securities Account*

In the General Securities Account, the Client may move to the Account those equity or fixed-income securities acceptable to their selected Custodian. No securities may be purchased in this Account. The Client will be solely responsible for directing the sale of investments in the Account. Administrative Fees will not be charged against the assets of a General Securities Account. Any Administrative Fee or other fees payable shall be charged to another Account established under this Agreement or directly to a bank account via the Automated Clearing House (ACH) process, if available.

Cash Alternative and General Securities Accounts will be charged the following Administrative Fee:

**Administrative Fee for Administrative/ Non-Managed Accounts**

<b>Account Asset Level</b>	<b>Cash Alternative and General Securities Accounts</b>
First \$ 250,000	0.25%
\$ 250,000 - \$ 500,000	0.15%
Over \$500,000	0.10%

**GFWM PLATFORM FEE SCHEDULES**

**Mutual Funds, ETFs & Variable Annuity Accounts<sup>1,2</sup>**

Account Asset Level	Proprietary/ Affiliated Mutual Funds/GPS Strategies	Third-Party Mutual Funds	ETF Account: Strategic & Tactical Constrained	ETF Account: Tactical Unconstrained	Variable Annuity Accounts
First \$ 250,000	0.00%	0.45%	0.45%	0.65%	0.65%
\$ 250,000 - \$ 500,000	0.00%	0.40%	0.45%	0.60%	0.60%
\$ 500,000 - \$ 1,000,000	0.00%	0.35%	0.45%	0.55%	0.55%
\$ 1,000,000 - \$ 2,000,000	0.00%	0.30%	0.40%	0.50%	0.50%
\$ 2,000,000 - \$3,000,000	0.00%	0.20%	0.40%	0.40%	0.40%
\$ 3,000,000 - \$ 5,000,000	0.00%	0.20%	0.35%	0.40%	0.40%
Over \$ 5,000,000	0.00%	0.20%	0.25%	0.40%	0.40%

**Privately Managed Accounts**

Account Asset Level	IMA <sup>1,3</sup> & GFAM- LHIC <sup>4</sup>	GFAM Preservation <sup>4</sup>	GFAM Fixed Income & PRX <sup>4</sup>	CMA <sup>1,4</sup>	Manager Select <sup>4</sup>
First \$ 250,000	0.45%	0.75%	0.45%	0.80%	0.90%
\$ 250,000 - \$ 500,000	0.45%	0.50%	0.45%	0.80%	0.90%
\$ 500,000 - \$ 1,000,000	0.45%	0.50%	0.35%	0.80%	0.90%
\$ 1,000,000 - \$ 2,000,000	0.40%	0.45%	0.25%	0.75%	0.85%
\$ 2,000,000 - \$3,000,000	0.40%	0.45%	0.25%	0.75%	0.85%
\$ 3,000,000 - \$ 5,000,000	0.35%	0.40%	0.25%	0.70%	0.80%
Over \$ 5,000,000	0.25%	0.30%	0.20%	0.65%	0.75%

<sup>1</sup> In addition to the rates described in the above tables, an additional fee of up to 0.10% annually may be deducted from Client Account assets and paid certain Financial Advisory Firms, if the Account is invested in a Mutual Fund, ETF, Distribution Strategies, Variable Annuity, Manager Select, Third-Party IMA or CMA Investment Solution.

<sup>2</sup> 0.15% is added to the standard Platform Fee for mutual fund and ETF Accounts maintained at Charles Schwab. Platform fees are waived for Investment Solutions comprised of the Proprietary/Affiliated Funds.

<sup>3</sup> Third-Party Investment Manager Fee may apply.

<sup>4</sup> Investment Manager Fee does not apply.

**UMA Accounts<sup>5</sup>**

Account Asset Level	GMS I	GMS II <sup>6</sup>	ARO 50	ARO 100	ARO 250, ARO 500, PMP I	PMP II <sup>6</sup>
First \$100,000	0.75%	0.40%	0.75%	0.65%	0.85%	0.45%
\$100,000 to \$250,000	0.55%	0.25%	0.75%	0.65%	0.85%	0.45%
\$ 250,000 - \$ 500,000	0.45%	0.20%	0.45%	0.45%	0.85%	0.45%
\$ 500,000 - \$ 1,000,000	0.40%	0.15%	0.40%	0.40%	0.70%	0.35%
\$ 1,000,000 - \$ 2,000,000	0.40%	0.10%	0.40%	0.40%	0.47%	0.15%
\$ 2,000,000 - \$3,000,000	0.40%	0.10%	0.40%	0.40%	0.47%	0.15%
\$ 3,000,000 - \$ 5,000,000	0.40%	0.10%	0.40%	0.40%	0.47%	0.15%
Over \$ 5,000,000	0.25%	0.00%	0.25%	0.25%	0.25%	0.00%

<sup>5</sup> In addition to the Platform fee shown above, there is a flat 0.60% Investment Manager Fee for UMA accounts.

<sup>6</sup> The GMS II and PMP II fees are only applicable to Risk/Return Profile 3 - Moderate using Fixed Income.

Mutual Fund Accounts Fee Disclosure

In the event that the Client's Account is invested in certain Portfolio Strategists' asset allocations comprised primarily of the GuideMark and GuidePath Funds, GFWM and CBC will receive compensation as the Investment Advisor and Distributor, respectively, for the GuideMark and GuidePath Funds, as more fully outlined in the Prospectus for the GuideMark and GuidePath Funds, a copy of which will be provided to each Client invested in such asset allocations and which may otherwise be obtained by request from the Financial Advisory Firm or CBC. Because of this separate compensation from the GuideMark and GuidePath Funds, GFWM waives the standard Platform Fee charged to the Financial Advisory Firm for assets invested in the GuideMark and GuidePath Funds. Certain mutual funds selected for Client Accounts may include Proprietary/Affiliated Funds and the Genworth Financial Contra Fund from which GFWM or its affiliates may receive additional compensation as described here in addition to fees paid to GFWM under this Agreement. GFWM may receive management and other fees for both its management of these funds as well as the Client Account.

Privately Managed Accounts Fee Disclosure

Third-party IMAs: Each of the Investment Managers may charge a separate Investment Manager Fee directly to the Client, calculated as a percentage of the total assets managed by the Investment Manager, which is in addition to the overall investment Advisory Fee negotiated between the Client and the Financial Advisory Firm. The fee charged by each Investment Manager is specified on the individual Discretionary Manager Designation incorporated in the Client Services Agreement and executed by the Client. Fees will vary from Investment Manager to Investment Manager; a complete list of fee schedules of the Investment Managers participating in the Platform is available from the Financial Advisory Firm by request.

CMAs, Manager Select and UMAs: The Platform Fee for Consolidated Managed Accounts and Unified Managed Accounts includes all fees paid by GFWM to Parametric for its services as the Overlay Manager for CMAs and Manager Select, and all compensation to GFAM as the Overlay Manager for UMAs. It also includes all fees paid to the Portfolio Strategists and to Investment Management Firms for their asset allocations and asset selections.

Service Fees Received by GFWM

The Account Custodians typically receive a shareholder servicing and/or similar fees from mutual funds and/or service providers to the funds held by the Client Accounts. This compensation generally ranges from 0.25% to 0.40% per annum of the amount invested through the Platform in the mutual funds. The Custodians may also receive similar fees with respect to Exchange Traded Fund (ETF) investments. Generally, fees received by Custodians are lower for asset allocations using a greater proportion of ETFs compared to asset allocations using a high proportion of mutual funds.

GFWM provides the Custodians certain services with respect to the custody arrangements. If the Client selects a Custodian other than GFTC, the selected Custodian will remit a portion of the fee it charges the Client or receives from other parties including mutual funds and ETFs, to GFWM as compensation for these services. The formula under which GFWM's compensation will be calculated is prospectively agreed upon by the Custodian and GFWM, and will be a function of agreed upon basis points on the average daily value of assets under management or custody, or other methodology agreed to by the parties annually. The formula is set for a 12-month period, after which a new formula may be renegotiated between GFWM and the Custodian to take effect on a prospective basis. The payment due under the formula will be calculated and paid quarterly. Further

information about the compensation paid GFWM, including current and historical compensation, is available on request.

The total fees received by GFWM with respect to a particular Client for a specified amount of assets can vary according to the particular Custodian used by the Client. In addition, a Client's particular asset allocation, including on-going changes (also known as rebalancing) based on the recommendations made by the Portfolio Strategist that provides the Client's asset allocation, may indirectly contribute to increasing or decreasing the compensation received by GFWM from a Custodian in future periods.

Other Compensation Disclosure

Each of the mutual funds, ETFs and variable annuity sub-accounts included in the Platform bears its own operating expenses, including compensation to the fund or sub-account advisor. As an investor in the mutual funds, ETFs or variable annuity sub-accounts, the Client indirectly bears the operating expenses of the mutual funds, ETFs or sub-accounts, as these expenses will affect the net asset value (or share price in the case of an ETF) of each mutual fund, ETF or sub-account. These expenses are in addition to the investment Advisory Fees paid to the Client's individual Financial Advisory Firm, including the Platform Fee payable to GFWM. The ratios of fund expenses to assets vary from fund to fund according to the actual amounts of expenses incurred and fluctuations in the fund's daily net assets. Information on the specific expenses for each of the mutual funds is set forth in the fund's prospectus and periodic reports provided by the fund to the Client. Information concerning the specific expenses of each variable annuity sub-account and any other expenses assessed by each variable annuity issuer are contained in the Prospectus delivered to the Client by the variable annuity issuer.

The cost of advisory and investment management services provided through the Platform may be more or less than the cost of purchasing similar services separately. For example, direct investment in a mutual fund, ETF or variable annuity sub-account could be less expensive than investment in the same securities through the Platform, because the Client would not bear any Platform Fee. All mutual funds included in the Platform will be available for purchase at each fund's net asset value and with no sales charge, so that no sales commissions are incurred in connection with investment in the initial portfolio and portfolio rebalancing. While most mutual funds available through the Platform will charge no transaction fees, mutual funds or custodians may charge a Client redemption fees under certain circumstances. Accounts invested in portfolios that include ETFs are subject to transaction costs, or asset-based pricing fees, based on the fee schedule of the account custodian selected by the Client, and pursuant to a separate agreement between the Client and the account custodian. Variable annuity accounts may be subject to transaction costs in connection with portfolio rebalancing as provided in the Prospectus delivered to the Client by the variable annuity issuer.

The Platform Fee paid by the Financial Advisory Firm to GFWM for related accounts of any Client in the Platform are negotiable, as are Platform Fees paid by any Financial Advisory Firm, with the approval of GFWM's President and CEO or any other senior executive officer, as authorized by the President and CEO. In addition, GFWM invests a portion of its revenues from operating the Platform back into the Platform in the form of allowances to certain participating financial professionals that utilize the Platform.

Marketing and Business Development

Under its Business Development Allowance Program, individual Financial Advisory Firm representatives ("Financial Advisors") are entitled to receive a quarterly business development allowance

for reimbursement for qualified marketing/practice development expenses incurred by the Financial Advisor. These amounts range from \$5,000 to \$105,000 annually, depending on the amount of the Financial Advisor's Client assets managed within the Platform.

Similarly, GFWM provides opportunities for Financial Advisory Firms participating in the Platform to receive fee reductions and/or allowances in amounts ranging from .02% to .10% of the amount of client assets invested through the Platform. These arrangements are entered into between GFWM and a broker dealer/advisor on an individually negotiated basis. A broker dealer may agree to provide GFWM with introductions to and information concerning its advisory representatives, provide the representatives with information concerning GFWM's Platform and products, and permit GFWM to participate in broker dealer meetings and workshops. In addition to the fee reductions and/or allowances granted the broker dealer by GFWM, GFWM may agree to provide the broker dealer or its representatives with organizational consulting, education, training and marketing support.

GFWM may sponsor annual conferences for participating Financial Advisors designed to facilitate and promote the success of the Platform and its participating Financial Advisors. GFWM may offer Portfolio Strategists, Investment Managers and Investment Management Firms, who may also be Sub-Advisors for the GuideMark and GuidePath Funds, the opportunity to contribute to the costs of GFWM's annual conference and be identified as a sponsor of a portion of the conference. GFWM may also bear the cost of airfare for certain Financial Advisors to attend GFWM's annual conference or to conduct due diligence visits to GFWM's offices. Financial Advisors may also receive discounted pricing on affiliate coaching programs. In addition, GFWM may, from time to time, contribute to the costs incurred by participating Financial Advisory Firms in connection with conferences or other client events conducted by the Financial Advisory Firms and their Financial Advisor representatives.

GFWM employees may have Platform Fees waived or reduced if they invest assets through the Platform, and may have custodial fees waived or reduced if they have assets held in custody by Genworth Financial Trust Company ("GFTC"), an Arizona trust company that is an affiliate of GFWM. GFTC may also receive Shareholder Servicing Fees from each Mutual Fund family included in Client Accounts. GFTC does not pay GFWM any fees for administrative services performed on Accounts on the Platform.

#### **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

The Financial Advisory Firm utilizing the GFWM Platform will determine the specific account requirements and the types of clients with which it may offer its services. Generally, The GFWM Platform is made available to high net worth individuals and institutional investors, financial institutions, annuity funds, charitable institutions, foundations, municipalities, endowment funds, corporations, corporate pension and profit-sharing plans, and Taft-Hartley plans.

#### **MINIMUM INVESTMENT REQUIREMENTS**

##### *Mutual Fund, ETF and Variable Annuities*

The standard minimum investment through the Platform will generally be \$25,000-50,000 for mutual fund and variable annuity Accounts, and \$100,000 for ETF accounts. GFWM reserves the right, in its sole judgment, to accept certain investments below the standard minimum.

##### *Individually Managed Accounts*

The standard minimum IMA investment per Investment Manager is generally between \$100,000 and \$250,000, and will depend on the Custodian and Investment Manager(s) selected for the Account. Certain Investment Managers may require minimum investments greater than \$250,000 and the Investment Managers, in their sole judgment may accept investments below the standard minimum.

For strategies in which GFAM is the Investment Manager, the minimum investment is \$50,000. The maximum investment for a GFAM PRX Account is \$250,000.

##### *Consolidated Managed Accounts*

The standard minimum CMA investment generally is \$500,000. GFWM reserves the right, in its sole judgment, to accept certain investments below these standard minimums.

##### *Unified Managed Accounts*

The standard minimum UMA investment, depending on the strategy selected, is between \$50,000 and \$500,000. GFWM reserves the right, in its sole judgment, to accept certain investments below these standard minimums.

#### **ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION**

The Platform does not have information applicable to Portfolio Manager Selection and Evaluation. Item 4 describes GFWM's selection and the roles of the Portfolio Strategists, Investment or Discretionary Managers and Overlay Managers.

#### **ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

The Platform does not have information applicable to Client Information Provided to Portfolio Managers. Item 4 describes the relationship and agreement between the Client and the Financial Advisory Firm's including the FA Firm's responsibilities to evaluate the Client's need and objectives and determine the suitability of various Platform options for the Client.

#### **ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS**

The Platform does not have information applicable to Client Contact with Portfolio Managers. Item 4 describes the relationship and agreement between the Client and the Financial Advisory Firm's and that the Firm may consult with GFWM regarding the administration of the Platform. Additionally, the Client has the opportunity to consult jointly with the Financial Advisory Firm and the Discretionary Managers concerning the individual management of their account.

**ITEM 9 – ADDITIONAL INFORMATION****DISCIPLINARY INFORMATION**

As the platform sponsor, GFWM has no information applicable to this item.

**OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As the platform sponsor, GFWM has the following financial industry affiliations:

**AFFILIATED COMPANIES**

GFWM has numerous affiliated companies under common control with the GFWM. Genworth Financial, Inc. (GNW) is a publicly-held company (NYSE: GNW), and it and its affiliates may also issue other securities. GNW wholly owns directly or indirectly these affiliated companies. GFWM does not consider such affiliations to create a material conflict of interest for GFWM or its clients. For those affiliated companies you may interact with in connection with the GFWM Platform, their industry activities are described in further detail below:

- Altegris Advisors, L.L.C. (Altegris)
- Altegris Portfolio Management, Inc. (Altegris Funds)
- Altegris Clearing Solutions, L.L.C. (Solutions)
- Altegris Futures, L.L.C. (Futures)
- Altegris Investments, Inc. (Investments)
- Capital Brokerage Corp. (CBC)
- Genworth Financial Advisors Corp. (GFAC)
- Genworth Financial Investment Management, LLC (GFIM)
- Genworth Financial Securities Corp. (GFSC)
- Genworth Financial Trust Company (GFTC)
- Genworth Financial Wealth Management, Inc. (GFWM)

Altegris Advisors, L.L.C. (Altegris)

Altegris Advisors, L.L.C. (“Altegris”) is a Delaware limited liability company formed in February 2010, and commenced its advisory operations in August 2010. Altegris is registered as an investment adviser with the Securities and Exchange Commission. Altegris serves as the investment adviser to the Altegris Managed Futures Strategy Fund, a series Delaware Trust. Altegris may also act in the capacity of Portfolio Strategist for GFWM.

Altegris Portfolio Management, Inc. (Altegris Funds)

Altegris Portfolio Management, Inc., dba “Altegris Funds,” is an Arkansas corporation and Altegris Funds, is a commodity pool operator registered with the CFTC, a member of the NFA, and an investment adviser registered with the State of California. Altegris Funds acts as the sponsor to various pooled investment vehicles offered on a private placement basis, including commodity pools and hedge funds

Altegris Clearing Solutions, L.L.C. (“Solutions”)

Altegris Clearing Solutions, L.L.C. (“Solutions”) is a Delaware limited liability company registered as both a futures introducing broker and a commodity trading advisor with the Commodity Futures Trading Commission (“CFTC”) and a member of the National Futures Association (“NFA”). Solutions introduces futures separate accounts of its clients to various futures commission merchants and provides futures-related consulting services.

Altegris Investments, Inc. (“Investments”)

Altegris Investments, Inc. (“Investments”) is an Arkansas corporation and is registered as a broker-dealer with the Securities and Exchange Commission (“SEC”) and member of the Financial Industry Regulatory Authority (“FINRA”). Investments acts as a selling agent and wholesaling agent for commodity pools and hedge funds sponsored

by its affiliate, Altegris Funds and as a distributor of mutual funds advised by its affiliate Altegris. Investments also acts as a third party selling agent for non-affiliated hedge funds and commodity pools. Through its affiliate, Solutions, clients of Investments may access a platform of managed futures trading programs.

Altegris Futures, L.L.C. (“Futures”)

Altegris Futures, L.L.C. (“Futures”) is a Delaware limited liability company registered as an introducing broker with the CFTC and is a member of the NFA. Futures acts as introducing broker for commodity pools sponsored by its affiliate, Altegris Funds.

Capital Brokerage Corp. (CBC)

Capital Brokerage Corporation (“CBC”) is a member broker dealer of the Financial Industry Regulatory Authority (FINRA). CBC is the distributor of the GFWM proprietary mutual funds: the GuideMark and GuidePath Funds, the Genworth Variable Insurance Trust (“GVIT”) and the Contra Fund.

Genworth Financial Advisors Corp. (GFAC)

Genworth Financial Advisors Corp. (“GFAC”) is an investment adviser registered with the Securities and Exchange Commission.

Genworth Financial Investment Management, LLC (GFIM)

Genworth Financial Investment Management, LLC is an investment adviser affiliate that provides portfolio management for business and institutional clients.

Genworth Financial Securities Corp. (GFSC)

Genworth Financial Securities Corporation (“GFSC”) is a FINRA member broker dealer.

Genworth Financial Trust Company (GFTC)

Genworth Financial Trust Company (GFTC) is an Arizona chartered trust company that currently serves as the custodian for certain GFWM advisory and platform services. Clients of Genworth Financial Wealth Management pay a management fee that includes payment for custodial services, and Genworth Financial Wealth Management pays a fee to GFTC to cover its custodial services.

*Insurance Company or Agency Affiliates*

GFSC is also licensed as an insurance agency.

GNW also owns directly or indirectly several life insurance companies and agencies. These include Genworth Life and Annuity Insurance Company (“GLAIC”) and Genworth Life Insurance Company of New York (“GLICNY”). GLAIC and GLICNY issue variable annuity and variable life insurance contracts (“Variable Contracts”) and make available the Efficient Edge Advisory Service to owners of those contracts. GVIT Funds are available investment options for these Variable Contracts. GLAIC is also the issuer of the LifeHarborSM Series, Genworth Financial Wealth Management Group Guaranteed Income Annuity Certificate (“LifeHarbor Annuity”).

**GFWM AFFILIATE CONFLICTS OF INTEREST****BANKING INSTITUTION**

GFWM is under common control with GFTC. GFTC is an Arizona chartered trust company that may serve as the custodian for GFWM advisory services discussed in this Brochure.

Clients pay GFTC for custodial services pursuant to their Custody Agreement with GFTC. Additionally, pursuant to a contract between GFWM and GFTC, GFWM may also pay GFTC for services it provides GFWM advisory Clients, especially with regard to GFAM PMA Accounts and UMA Accounts. Additionally, GFTC may receive

payments from mutual fund, mutual fund service providers and other financial institutions for services GFTC provides related to investments held in Client Accounts. GFTC handles transfer agency functions, shareholder servicing, sub-accounting, and tax reporting functions that these financial institutions may otherwise have to perform. Such payments may be made to GFTC by these financial institutions based on the amount of assets GFWM has directed be invested on behalf of Client Accounts. GFWM determines whether to initially invest or maintain an investment of Client Account assets in these investments. Any such payments to the Custodian will not reduce GFWM's Advisory Fee. Some mutual funds, or their service providers, may provide compensation in connection with the purchase of shares of the funds, unless prohibited by law or self-regulatory organizations. Compensation may include financial assistance for conferences, sales or employee training programs. Compensation may also be paid for travel and lodging expenses for meetings or seminars of a business nature held at various locations or gifts of nominal value as permitted by applicable rules and regulations.

## INVESTMENT COMPANIES

### *GuideMark and GuidePath Funds, Genworth Financial Contra Fund and Genworth Variable Insurance Trust*

GFWM receives compensation as the Investment Advisor of the GuideMark and GuidePath Funds, which are utilized within certain Investment Solutions. When the GuideMark Funds are used in GFWM's Investment Solutions, GFWM waives its GFWM Advisory Fee on the assets in those accounts, unless it is in a CMA Investment Solution. GFWM is not compensated for management services under two agreements with regard to those assets but is compensated only pursuant to its Investment Advisory Agreement with the GuideMark and GuidePath Funds. Because of the lack of a GFWM Advisory Fee, some Financial Advisors may be inclined to charge a higher Financial Advisor Fee for an Account invested in the GuideMark and GuidePath Funds than they might for an Account invested in other Investment Solutions. With regard to a CMA Investment Solution, if the Discretionary or Overlay Manager selects an GuideMark and GuidePath Fund, GFWM may receive an Advisory Fee from client assets for its management under the CMA Investment Solution as well as an additional fee through the GuideMark and GuidePath Fund for that portion of a client's account that is invested in the Fund, effectively receiving two fees, under two different management agreements, on the same assets.

The GuidePath fund of funds are directly managed by GFWM's Investment Strategies Group ("ISG") and will be invested in shares of the GuideMark Funds, unaffiliated mutual funds, and ETFs. ISG will be managing the GuidePath Funds based on research provided by current Portfolio Strategists in each of the four asset allocation approaches. In addition to the responsibility of managing the GuidePath Funds, the Investment Strategies Group has ongoing oversight over the performance of the Sub-Advisers in the GuideMark Funds and the Portfolio Strategists on the Platform. Because of the conflict between ISG managing the GuidePath fund, and thereby controlling the allocations of affiliated mutual funds, and potentially receiving the GuideMark Funds' profitability information as a participant in the Fund board meetings, GFWM has created information barriers whereby ISG personnel will not be allowed to participate during the discussion of profitability in the GuideMark Funds board meetings.

GFWM serves as the investment advisor to the Genworth Financial Contra Fund, a registered investment company used by the GFAM division of GFWM in risk mitigation strategies in some Investment Solutions, and is the investment advisor to the Genworth Variable Insurance Trust ("GVIT"), a series of no-load funds made available exclusively to owners of variable annuity and variable life insurance contracts ("Variable Contracts") issued by Genworth Life and Annuity

Insurance Company ("GLAIC") and Genworth Life Insurance Company of New York ("GLICNY"), both affiliates of GFWM. GFWM receives ongoing fees from the GuideMark and GuidePath Funds, the Contra Fund and GVIT for the investment advisory services it provides. When the Contra Fund is used in GFWM's Investment Solutions, GFWM may receive an Advisory Fee from client assets for its management under an Investment Solution as well as an additional fee through the Contra Fund for that portion of a client's account that is invested in that Fund, effectively receiving two fees, under two different management agreements, on the same assets.

GLAIC is also the issuer of the LifeHarbor<sup>SM</sup> Series, Genworth Financial Wealth Management Group Guaranteed Income Annuity Certificate ("LifeHarbor Annuity"). GLAIC is an affiliate of GFWM and GFTC. Purchasers of the LifeHarbor Annuity must invest their Account in one of the GFAM Strategies offered by GFAM and designed for use with the LifeHarbor Income Certificate ("GFAM-LHIC"). The GFAM Division of GFWM serves as the Discretionary Manager for accounts invested in GFAM Solutions designed for use with LifeHarbor Income Certificate, and only Risk/Return Profiles 3 and 4 are offered in this Investment Solution. While the LifeHarbor Annuity is in force, an asset charge, which is based on the value of the assets in the client account, is periodically deducted from the account and remitted to GLAIC. Consult the LifeHarbor Annuity prospectus for further information. The fees charged under the LifeHarbor Annuity are in addition to the advisory, custodial and other fees charged the client account, including the advisory fee GFWM receives as the Discretionary Manager. GLAIC gave GFWM input in the development of this Investment Solution, with particular focus on the specification of investment risk parameters, and the impact of those risk parameters in the management of client accounts. However, GFWM is responsible for the day-to-day management of the GFAM-LHIC accounts, and GLAIC does not have the authority to instruct GFWM to pursue any particular investment course. As of January 28, 2011, the GFAM-LHIC strategy is no longer open to new business.

## OTHER INVESTMENT ADVISERS

GNW also indirectly owns GFAC, an investment adviser registered with the Securities and Exchange Commission. Advisory representatives of GFAC may refer Clients to GFWM and GFAC receives payment from GFWM for Client referrals as discussed below under "CLIENT REFERRALS."

Altegris Advisors, L.L.C. ("Altegris") is a Delaware limited liability company formed in February 2010, and commenced its advisory operations in August 2010. Altegris is registered as an investment adviser with the Securities and Exchange Commission. Altegris serves as the investment adviser to the Altegris Managed Futures Strategy Fund, a series Delaware Trust, and its wholly owned subsidiary. Altegris manages the assets of the Fund directly in accordance with applicable law and the investment objectives, policies and restrictions set forth in the Fund's current Prospectus and Statement of Additional Information, and subject to such further limitations as the Fund's Board of Trustees may from time to time impose by written notice to Altegris. Altegris also acts in the capacity of Portfolio Strategist for the Platform.

## BROKER-DEALERS

### Capital Brokerage Corporation

CBC is a member broker dealer of the Financial Industry Regulatory Authority (FINRA), and is affiliated with GFWM by common ownership. CBC is the Distributor of the GuideMark and GuidePath Funds, Contra Fund, and GVIT. CBC is not compensated for its role as Distributor of the Contra Fund, but CBC is entitled to receive 12b-1 fee compensation as Distributor of the GuideMark and GuidePath Funds and GVIT. The GuideMark and GuidePath Funds and the Contra Fund are utilized within certain Investment Solutions.

#### Genworth Financial Securities Corporation

GFSC is a member broker dealer of FINRA, and is affiliated with GFWM by common ownership. GFSC previously had a Selling Agreement with GFWM, but referrals by Financial Advisors associated with a GFWM affiliate are now made under GFWM's Selling Agreement with GFAC, discussed above.

#### CLIENT REFERRALS AND OTHER COMPENSATION

As discussed above, GFWM and CBC receive compensation as the Investment Advisor and Distributor, respectively, of the GuideMark and GuidePath Funds, which are utilized within certain Portfolio Strategists' asset allocations, and GFWM waives its Platform Fee to the Financial Advisory Firm on Client accounts to the extent they are invested in asset allocations comprised primarily of the GuideMark and GuidePath Funds. The Financial Advisory Firm will therefore pay a lower percentage of the Client's assets invested in the Platform to GFWM as the Platform Fee and may retain a greater percentage than if another Portfolio Strategist's asset allocation were used. Accordingly, the Financial Advisory Firm has a potential conflict of interest in that it may have a financial incentive to recommend that the Client Account be invested in an asset allocation which is comprised primarily of the GuideMark and GuidePath Funds.

Certain mutual funds selected for Client Accounts may include Proprietary/Affiliated Funds and the Genworth Financial Contra Fund from which GFWM or its affiliates may receive additional compensation as described here in addition to fees paid to GFWM under this Agreement. GFWM may receive management and other fees for both its management of these funds as well as the Client Account.

GFWM serves as the investment advisor for the GuideMark and GuidePath Funds, a series of sub-advised no-load mutual funds that are available in certain Investment Solutions offered under the Platform, and the Genworth Financial Contra Fund, a registered investment company used by GFWM's GFAM Division in risk mitigation strategies in certain UMA Investment Solutions, and is the investment advisor to the Genworth Variable Insurance Trust ("GVIT"), a series of no-load funds made available exclusively to owners of variable annuity and variable life insurance contracts ("Variable Contracts") issued by Genworth Life and Annuity Insurance Company ("GLAIC") and Genworth Life Insurance Company of New York ("GLICNY"), both affiliates of GFWM. GFWM receives ongoing fees from Proprietary/Affiliated Funds, the Contra Fund and GVIT for the investment advisory services it provides. When the Contra Fund is used in GFWM's Investment Solutions, GFWM may receive a Management Fee from client assets for its management under an Investment Solution as well as an additional fee through the Contra Fund for that portion of a client's account that is invested in that Fund, effectively receiving two fees, under two different management agreements, on the same assets. When the Proprietary/Affiliated Funds are the primary investment vehicle used in a particular GFWM Investment Solution, GFWM waives its GFWM Platform Fee on the assets in those accounts. If a CMA Portfolio Strategist selects Proprietary/Affiliated Funds, the Platform Fee is not waived. Therefore, GFWM may receive a Management Fee from client assets for its management under an Investment Solution as well as an additional fee through the Proprietary/Affiliated Funds for that portion of a client's account that is invested in that Fund, effectively receiving two fees, under two different management agreements, on the same assets. GVIT funds are not utilized in GFWM Platform solutions.

CBC is the distributor of the GuideMark and GuidePath Funds, the Contra Fund and GVIT. CBC is entitled to receive 12b-1 fee compensation as Distributor of the GuideMark and GuidePath Funds and GVIT, however, only the GuideMark and GuidePath Funds are utilized within certain Investment Solutions. CBC is not compensated for its role as Distributor of the Contra Fund.

Altegris Advisors, L.L.C. ("Altegris") is a Delaware limited liability company formed in February 2010, and commenced its advisory operations in August 2010. Altegris is registered as an investment adviser with the Securities and Exchange Commission. Altegris serves as the investment adviser to the Altegris Managed Futures Strategy Fund, a series Delaware Trust, and its wholly owned subsidiary. Altegris manages the assets of the Fund directly in accordance with applicable law and the investment objectives, policies and restrictions set forth in the Fund's current Prospectus and Statement of Additional Information, and subject to such further limitations as the Fund's Board of Trustees may from time to time impose by written notice to Altegris. Altegris may also act in the capacity of Portfolio Strategist for GFWM.

GLAIC is also the issuer of the LifeHarbor<sup>SM</sup> Series, Genworth Financial Wealth Management Group Guaranteed Income Annuity Certificate ("LifeHarbor Annuity"). GLAIC is an affiliate of GFWM and GFTC. Purchasers of the LifeHarbor Annuity must invest their Account in one of the GFAM Strategies offered by GFAM and designed for use with the LifeHarbor Income Certificate ("GFAM-LHIC"). The GFAM Division of GFWM serves as the Discretionary Manager for accounts invested in GFAM Solutions designed for use with LifeHarbor Income Certificate, and only Risk/Return Profiles 3 and 4 are offered in this Investment Solution. While the LifeHarbor Annuity is in force, an asset charge, which is based on the value of the assets in the client account, is periodically deducted from the account and remitted to GLAIC. Consult the LifeHarbor Annuity prospectus for further information. The fees charged under the LifeHarbor Annuity are in addition to the advisory, custodial and other fees charged the client account, including the advisory fee GFWM receives as the Discretionary Manager. GLAIC gave GFWM input in the development of this Investment Solution, with particular focus on the specification of investment risk parameters, and the impact of those risk parameters in the management of client accounts. However, GFWM is responsible for the day-to-day management of the GFAM-LHIC accounts, and GLAIC does not have the authority to instruct GFWM to pursue any particular investment course.

GFTC, an affiliate of GFWM, will receive fees for serving as Custodian for those Client Accounts selecting GFTC.

Some mutual funds, investment companies or other pooled investment vehicles or their service providers, such as advisers or administrators, pay administrative service or certain other fees to GFTC as compensation for the administrative and shareholder services it provides. Banks and other financial institutions may also pay GFTC for such services. GFTC handles transfer agency functions, shareholder servicing, sub-accounting, and tax reporting functions that these financial institutions may otherwise have to perform. Such payments are generally made to GFTC by these financial institutions based on the amount of assets invested on behalf of clients in the investment. In the instance of GFAM Strategies, GFWM (through its GFAM Division) determines whether to initially invest or to maintain or to increase investment of Client Account assets in these investments. In the instance of all Investment Solutions, an investment must first be available through the GFWM Platform before it can be included in any Client Account. Any such payments to the Custodian will not reduce GFWM's fee schedule.

To the extent that a Client establishes a mutual fund Account and selects an asset allocation designed by a "proprietary" Portfolio Strategist (one who includes funds from its affiliated fund family), the Portfolio Strategist will generally derive additional benefit through compensation payable to its affiliates from the funds.

*Altegris Strategies*

Client accounts invested in the Altegris Managed Futures Strategy will receive allocations, determined by Altegris, among mutual funds advised by Altegris and GFWM. Both Altegris and GFWM will receive advisory fees from the mutual funds in which these accounts invest. The mutual fund advisory fees differ between funds and the total fees collected will vary depending upon the profile selected by the client and the fund allocation within each profile (for example, the blended rate of all fund advisory fees on client assets invested at the target profile allocation can range from 1.19% or higher for profile 3, and up to 1.50% for profile 5). If a client elects the Altegris Managed Futures Strategy, client authorizes and instructs that the account be invested pursuant to the selected profile, acknowledges that the fund advisory fees collected by Altegris and GFWM will vary, and approve of the fund advisory fee payments to GFWM and Altegris. You will be given prior notice if these allocations or mutual funds change and, unless you give notice to GFWM, you consent to these changes.

*GPS Strategies*

Client accounts invested in GPS Strategies will receive allocations, determined by GFWM, among the GuidePath Funds, the GuideMark Funds and the Altegris Advised Funds, if applicable. Both Altegris and GFWM will receive advisory fees from the mutual funds in which these accounts invest. The mutual fund advisory fees differ between funds and the total fees collected will vary depending upon the profile selected by the client and the fund allocation within each profile (for example, the blended rate of all fund advisory fees on client assets invested at the target profile allocation can range from 1.04% or higher for profile 1, and up to 1.18% for profile 5). If a client elects the GPS Strategies, client authorizes and instructs that the account be invested pursuant to the selected profile, acknowledges that the fund advisory fees collected by Altegris and GFWM will vary, and approve of the fund advisory fee payments to GFWM and Altegris. Client will be given prior notice if these allocations or mutual funds change and, unless the Client or Financial Advisor gives notice to GFWM, Client consents to these changes.

GFWM's parent is Genworth Financial, Inc. ("Genworth"). Genworth's stock is publicly traded (NYSE: GNW), and it and its affiliates may also issue other securities. The mutual funds, ETFs, variable annuity sub-accounts and other collective investment vehicles held in client accounts through the Platform may hold or acquire securities issued by Genworth. In addition, the independent Discretionary Managers managing Privately Managed Accounts may invest in Genworth securities in the discretion of the independent Discretionary Managers. However, Privately Managed Accounts advised directly by GFWM will be restricted so that no securities issued by Genworth or its affiliates will be acquired even if such an investment is appropriate for such Accounts. In addition, the Proprietary/Affiliated Funds, the Contra Fund, and the GVIT will not acquire any Genworth securities.

**CODE OF ETHICS**

The Financial Advisory Firm provides investment advisory services to the client. The following summary describes the Code of Ethics for GFWM, as the program sponsor.

GFWM has adopted a Code of Ethics (the "Code") that is intended to comply with the provisions of Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act"), which requires each registered investment adviser to adopt a code of ethics setting forth standards of conduct and requiring compliance with federal securities laws. Additionally, the Code is designed to comply with Section 204A of the Advisers Act, which requires investment advisers to establish, maintain and enforce written policies and procedures reasonably

designed, taking into consideration the nature of such investment adviser's business, to prevent the misuse of material, non-public information by any person associated with such investment adviser. GFWM's Code requires that all "Supervised Persons" (including officers and certain affiliated persons and employees of GFWM) in carrying out the operations of GFWM, adhere to certain standards of business conduct. Specifically, the Code requires that these persons: (i) comply with all applicable laws, rules and regulations, (ii) avoid any conflict of interest with regard to GFWM and its Clients, (iii) avoid serving their personal interests ahead of the interests of GFWM and its Clients, (iv) avoid taking inappropriate advantage of their position with GFWM or benefiting personally from any investment decision made, (v) avoid misusing corporate assets, (vi) conduct all of their personal securities transactions in compliance with the Code, and (vii) maintain, as appropriate, the confidentiality of information regarding GFWM's operations.

The Code contains a number of prohibitions and restrictions on personal securities transactions and trading practices that are designed to protect the interests of GFWM and its Clients. First, the Code prohibits trading practices that have the potential to harm GFWM and/or its Clients, including excessive trading or market timing activities in any account that GFWM manages, trading on the basis of material non-public information, and trading in any "Reportable Security" which is being purchased or sold, or is being considered for purchase or sale by the Accounts managed by GFWM or any GFWM-advised mutual funds. Second, the Code mandates the pre-clearance of certain personal securities transactions, including transactions in securities sold in initial public offerings or private placements. The Code also requires the pre-clearance of Reportable Security transactions for certain Access Persons. Finally, the Code requires employees to submit, and the Chief Compliance Officer (the "CCO") to review, initial and annual holdings, and quarterly transaction reports.

GFWM utilizes Financial Tracking Technologies to provide enhanced tracking of employee transactions and gives GFWM the ability to analyze employee trading against certain parameters and transactions in its managed Accounts or any GFWM-advised funds. Access Persons also utilize this system to annually certify their receipt of, and compliance with, the Code and pre-clear their Reportable Security transactions, if they are required to do so by the Code.

All Supervised Persons under the Code are responsible for reporting any violations of the Code to the CCO. The Code directs the CCO to submit reports to the Board of Trustees of any GFWM-advised funds regarding compliance with the Code, and to impose sanctions on violators, as warranted.

GFWM will provide a copy of the Code to any Client or prospective Client upon request.

**REVIEW OF ACCOUNTS**

The Clients and their Financial Advisors may contact GFWM to arrange for consultations regarding the management of their Accounts. Clients should refer to their Financial Advisors to discuss and assess their current financial situation, investment needs and future requirements in order to implement and monitor investment Portfolios designed to meet the Client's financial needs.

GFWM makes available periodic reports to Financial Advisory Firms for use with their investment advisory clients. These written reports, the Quarterly Performance Report, generally contain a list of assets, investment results, and statistical data related to the client's account. We urge clients to carefully review these reports and compare the statements that they receive from their custodian to the reports.

*Management of the Client's Account*

The Financial Advisory Firm provides the specific advice to the Client concerning the Client's investment Strategy for each Account, including the Investment Solution, the Portfolio Strategist(s), the particular Asset Allocation Approach or sub-strategy to be chosen for the Client, and the Client's appropriate Risk/Return Profile. The Financial Advisory Firm will also advise Clients in Individually Managed Accounts on the Investment Managers to be selected for the Client's Account. The Financial Advisory Firm and/or the client (depending upon the specific form of Client Services Agreement entered into between the Financial Advisory Firm and the Client) retains discretion to choose the Portfolio Strategist(s), the asset allocation(s) and the Investment Managers selected as the components of the Strategy for the Client's Accounts, and will have the opportunity periodically to change the Strategy or its components, including the Investment Solution, the choice of Portfolio Strategist(s), the particular asset allocation(s) or sub strategies, the Risk/Return Profile, or the Investment Managers selected for the Accounts.

GFWM has identified a broad range of mutual funds for the Portfolio Strategists to use in the mutual fund asset allocations, and provides the Portfolio Strategists access to a broad range of ETFs for use in the ETF asset allocations. Each of the variable annuity issuers has established various sub-accounts as more fully described in its variable annuity Prospectus. In addition, GFWM has identified certain investment management firms to provide securities recommendations to be used in CMA asset allocations. Each of the mutual funds is either a no-load mutual fund or a mutual fund that may be purchased through the Platform at net asset value and without sales charges. Variable annuity accounts are subject to the terms and conditions of the Prospectus delivered to the Client by the variable annuity issuer, and may or may not involve the payment of a commission to the Financial Advisory Firm or a related party by the variable annuity issuer. The Financial Advisory Firm will seek to tailor the Client's Strategy to the Client's individual needs. Information concerning the Investment Solutions, the Portfolio Strategists participating in the Platform, and the mutual funds, ETFs, variable annuity sub-accounts and the CMA investment management firms used in the Portfolio Strategists' asset allocations is provided to the Financial Advisory Firm and updated periodically.

Clients are provided with periodic custodial reports from a custodian and GFWM provides the Financial Advisory Firms with quarterly performance reports for each of their Client's Accounts. The periodic custodial reports include a listing of all investments in the Client's account, their current valuation, and a listing of all transactions occurring during the period. The quarterly performance reports include information concerning the allocation of the assets in each Client Account among various asset classes and the investment performance of the Client's Account during the quarter.

*Management of Privately Managed Accounts:*

The Investment Managers managing IMAs, MSAs, and the Overlay Managers managing CMAs and UMAs are referred to collectively as the "Discretionary Managers" for these Privately Managed Accounts.

GFWM (in UMAs) and certain Portfolio Strategists (in CMAs) may elect to incorporate a limited number of mutual funds in certain asset class allocations where they have determined that mutual funds are a more appropriate investment vehicle than using individual Investment Managers or the asset selections by Investment Management Firms. These funds may include both no-load mutual funds (that is funds which do not include a sales load) and mutual funds which generally do charge a sales load, but which are available through the Platform at the fund's net asset value and without any sales charge, and may also include the use of the Altegris advised Fund and the Contra Fund,

discussed above. Proprietary/Affiliated Funds or other third-party funds or ETFs may also be utilized in CMAs for situations in which a Client's assets do not meet the required minimums of an Investment Manager for certain asset classes.

Each Investment Manager and Investment Management Firm has been selected by GFWM for the Platform to provide investment management services based on one or more specific investment objectives, which are outlined in the Manager Profile for each Investment Manager and Investment Management Firm. For example, certain Investment Managers and Investment Management Firms have been selected to manage U.S. Large Capitalization stocks, while others have been selected to manage International stocks. The Asset Allocations approaches developed by Portfolio Strategists will typically consist of a combination of several Investment Managers/ Investment Management Firms (and, in certain cases, mutual funds) representing a number of asset classes, which can include, but are not limited to, U.S. Fixed Income, International Fixed Income, U.S. Large Capitalization and Small/Mid Capitalization stocks, International stocks, Emerging Markets stocks, and Real Estate Investment Trusts (REITs).

All investments are held in custody by a Custodian who maintains the Client's custodial account and effects transactions at the direction of the Client and the Discretionary Manager(s) designated by the Client. Client is responsible for paying the Custodian directly for all expenses related to effecting transactions in the account, pursuant to a separate agreement executed between Client and the Custodian.

Each of the Client's investments is held by the Custodian in the Client's name. Clients will receive confirmations of each security purchased and sold for the Client's account (either separately or as part of the periodic custodial statement). Clients are entitled to receive copies of any materials distributed by the issuers of such securities to all beneficial owners of their securities, as well as the Prospectus and all annual and periodic reports issued by any mutual funds that the Client holds. In addition, the Client retains all indicia of beneficial ownership, including, without limitation, all voting power and other rights as a security holder in each of the securities and funds held for the Client. However, the Client may delegate the right to receive prospectuses and shareholder materials, and to vote proxies on behalf of the Client, to the Discretionary Managers selected by the Client. The Discretionary Manager Designations executed in connection with opening of any Privately Managed Account will include such delegation unless the Client otherwise directs in writing. Client has the opportunity to consult jointly with the Financial Advisory Firm and the Discretionary Managers concerning the individual management of their account.

**CUSTODIAL ARRANGEMENTS**

As described above, the Client's investments made through the Platform are held in the Client's name by a Custodian pursuant to a custody agreement directly between the Client and the Custodian. As a custodial client, the Client will receive from the Custodian periodic account statements listing the investments held in the Client custodial account, valuations of the investments and transactions which occurred during the period. The Client will also receive prospectuses and shareholder reports, as well as any proxy statements, applicable to the securities in the Client's custodial account if the Client has invested in a Mutual Fund, ETF or Variable Annuity account available through the Platform. If the Client has selected a Privately Managed Account, the Client will generally delegate the receipt of these shareholder materials to the Discretionary Manager through the Discretionary Manager Designation executed with the Client Services Agreement, unless the Client otherwise expressly directs that such materials be delivered to the Client.

Several different third party Custodians are used by Financial Advisory Firms and Clients under the Platform to provide Client Accounts with custody and trading services, including TD Ameritrade Investment Support Services, Pershing Advisor Solutions, Schwab Institutional, and Fidelity Brokerage Services. In addition, Genworth Financial Trust Company ("GFTC"), an affiliate of GFWM, may be used by Financial Advisory Firms and Clients on the Platform. Except as noted, each Financial Advisory Firm will typically select the Custodian to be used by that Financial Advisory Firm's Clients. The selected Custodian's full fee schedule will be presented to the Client together with the separate custodial agreement to be executed between the Client and Custodian as described above. Each of the foregoing Custodians, with the exception of Schwab, currently generally charges a minimum account fee of \$150 per year for Accounts invested in mutual fund asset allocation models, \$750 per year for CMA Accounts, \$250 per year for ETF Accounts, and \$350 for ETF accounts invested through Distribution Strategies (\$375 for Fidelity). The minimum annual fees for IMA Accounts vary depending on the types of securities held in the accounts, \$350 per year for equity securities accounts (\$375 for Fidelity and \$500 for Schwab), \$500 per year for fixed income securities accounts (\$750 for Schwab), \$375 per year for Rochdale's IMA Strategy and \$350 per year for balanced equity/fixed income Accounts (\$375 for Fidelity). The custodial account fees otherwise payable for UMA Accounts, GFAM Principal Return Exposure Strategies, GFAM Preservation Strategy or GFAM Fixed Income Accounts are included in the Platform fee payable to GFWM on those Accounts, except for GFAM-LHIC. All of the Custodians then charge additional fees based on a sliding scale depending on the amount of assets held in the Account. The Custodians may also charge termination fees and various other miscellaneous fees for wires, returned checks and other non-standard activity on an Account. The details are clearly presented in each Custodian's full fee schedule.

The Client is responsible for paying the Custodian the fees charged by the Custodian for its services and for all expenses related to effecting transactions in the account, pursuant to the agreement between Client and the Custodian. The Client will therefore bear such Custodian fees and expenses in addition to the investment Advisory Fees and Platform Fees discussed above and the operating expenses incurred by mutual funds, ETFs, variable annuities and any other pooled investment vehicles held in the Client's account. It should be noted that other custodial arrangements may be available that would involve lower costs to the Client than does this Platform and the custodian selected by the Client or the Client's Financial Advisory Firm.

## FINANCIAL INFORMATION

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. As the wrap program sponsor, GFWM has no financial commitment that impairs its ability to meet contractual commitments to Financial Advisory Firms or their clients, and has never been the subject of a bankruptcy proceeding. GFWM's parent company, GNW, files quarterly and annual financial statements with the SEC. These are available through the SEC and on its parent company web site at the following location:

**[www.genworth.com](http://www.genworth.com).**

## ITEM 10 – REQUIREMENTS FOR STATE-REGISTERED ADVISORS

Not applicable to GFWM as the program sponsor.