

**CAMBRIDGE LEGACY ADVISORS, INC.**

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**FIRM BROCHURE**  
**Dated March 31, 2011**

**Part 2 of Form ADV**

**This brochure provides information about the qualifications and business practices of Cambridge Legacy Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 972-267-8181 and/or at [www.clgsite.com](http://www.clgsite.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.**

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## **ADVISORY BUSINESS**

Cambridge Legacy Advisors, Inc. (or “CLA,” “we,” “our”) is an SEC-registered investment adviser and has been in business since 2002. The principal owner of CLA is Cambridge Legacy Group, Inc., a Texas corporation whose majority owners are O. Ben Carroll and his wife, Deanna J. Carroll.

We provide general financial planning services including but not limited to consulting, retirement and estate planning assessments, the writing of “Financial Action Plans,” the writing of financial plans, money management, asset allocations, wealth management, general portfolio management, billing, purchasing and/or customized financial services as required by our clients. In managing client portfolios, we utilize the client’s individual investment objectives, needs, risk tolerance and style of desired management to establish asset allocations. When appropriate, we may employ “active management” styles whereby the adviser attempts to move into individual securities to take part in market advances and then attempts to move to the safety of a money market accounts, short-term bonds/treasuries, and/or other specialized funds (such as inverse funds) when markets decline. The client’s investment adviser representative (or “advisor”) may use various securities and financial vehicles including but not limited to exchange traded funds, index funds, mutual funds, inverse funds, leveraged funds, insurance products, individual securities, options, short-selling, alternative investments, direct participation investments, precious metals, collectibles, managed futures and/or any assets or securities which in the adviser’s opinion, have superior potential for growth and/or income under various market conditions. It is up to the investment adviser representative to assess market conditions and decide which financial vehicles, assets and strategies to utilize while attempting to meet the client’s investment objectives.

Our Private Wealth Management (“PWM”) program is a fee-based ongoing financial planning program designed to assist a client with a number of critical consulting-related services that we believe are important to a client in creating and maintaining a sound financial plan. It includes the creation of both a Financial Plan and an Implementation Plan, together with initial and ongoing Investment Planning, Income Tax Planning, Estate Planning, Cash and Debt Management Planning and Insurance Planning, consulting and review services, and ongoing Progress Reports pertaining to each such component to assist the client with maintaining (and/or revising/updating) his/her/their plan and achieving their goals. The terms and conditions for participation in PWM are set forth in the Private Wealth Management Agreement between CLA and the client. With respect to estate planning and accounting matters, CLA acts as a facilitator between the client and his/her designated professionals. CLA is not, and does not act as, an attorney nor an accountant and nothing about PWM should be construed as legal or accounting advice. Rather, the client should consult his/her/their attorney or accountant.

CLA charges a flat fee for the delivery of our Private Wealth Management service and once set, it becomes fixed with an annual 5% increase and will be assessed quarterly. The fee is subject to annual review and can be re-set upon mutual agreement of the advisor and client. The fee may vary from advisor to advisor and from one geographic area to another based on the following factors:

Client's adjusted net worth (net worth less the equity value of the home);  
Complexity of client's financial affairs;  
Time and labor required to fulfill the service commitment to the client or group of clients;  
Professional skills and capacities of the advisor in delivering these services;  
Time limitations imposed by the client or by the circumstances;  
Nature and length of the advisor's professional relationship with the client;  
Experience, reputation and ability of the advisor performing the services;  
Other compensation the advisor may be receiving from the client while providing these services;  
Any other factor which may be unique to the client; and  
Competitive issues within differing geographic areas or markets.

It is our policy to provide maximum flexibility between the advisor and their clients based upon the uniqueness of the client's needs, local markets and client preferences. Therefore, the fee may, and most likely will, vary from advisor to advisor and from one geographic area to another and could be more or less than the fee being assessed by other advisors affiliated with the Firm offering same or similar services. The range of Private Wealth Management fees being assessed is available upon request. CLA evidences supervision of Private Wealth Management annually through the "Annual Affirmation of Deliverables" form signed by the client. That portion of advisory fees payable to the advisor may be suspended if this form is not signed annually (with a 3 month grace period) by the client, the advisor, and supervising principal.

No client is under any obligation to implement any of our recommendations, including investment, insurance, tax, estate planning or otherwise. The PWM fee does not include the fees that may be incurred by the client for implementation of any of our recommendations. Our recommendations may be implemented at the client's exclusive discretion with the corresponding professional adviser(s) of the client's choosing (i.e. investment adviser, securities broker, insurance agent, accountant, attorney, etc.) of the client's choosing. At the client's request, we may recommend the services of other professionals for implementation purposes, including CLA's (and/or its affiliates) investment advisory, securities brokerage and/or insurance services and those of unaffiliated professionals, including attorneys and accountants. The client is under no obligation to engage the services of any such recommended professionals. Separate and additional commissions and/or fees shall be incurred for all such implementation services, including those that may be provided by us and/or our affiliates.

CLA currently conducts business under the following assumed names: Wealth Management Advisors, LLC (WMA); Strategic Financial Solutions, Inc. (SFS); Valta, Inc.(V); U.S. Wealth Management Inc., BDT & Associates, Wealth Resource Management, Inc., Morgan Legacy Trust, Lighthouse Financial Group, Mike Henry & Associates, Breedlove Financial, and Howard Capital Management, Inc.; Cour Financial, LLC.

CLA evaluates investment objectives, risk tolerance and target returns to determine which investment profile best fits the client's needs. Those profiles are contained in the Confidential Client Profile and Investment Advisory Agreement signed by the client. The client may impose restrictions on investing in certain securities or types of securities.

We do not participate in wrap fee programs.

We manage client assets on a discretionary basis only. As of December 31, 2010, we had \$125,000,000.00 of client assets under management.

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## **FEES AND COMPENSATION**

Fees charged for money management range from .50% to 2.95% per annum, paid by the client on a quarterly basis in advance and deducted from client assets. Fees are negotiable based on size of account, other services being rendered, length of time with Cambridge Legacy Advisors, Inc. or any other factors deemed applicable at Cambridge Legacy Advisors, Inc.'s sole discretion. Therefore, the fees paid by some clients may vary from the fees paid by other clients for the same or similar programs or services. All fees assessed for portfolio management, Private Wealth Management, or other advisory services are individually disclosed to the client and approved with the client's signature.

Fee charged as "one time fees" for services such as financial services agreement and financial planning agreement are paid by the client upfront with a check or credit card.

As indicated above, we will charge a flat fee for the delivery of our Private Wealth Management service and once set, it becomes fixed with an annual 5% increase and will be assessed quarterly. The fee is subject to annual review and can be re-set upon mutual agreement of the advisor and client. The fee may vary from advisor to advisor and from one geographic area to another based on the factors listed on page 5.

Clients may pay one or more of the following types of fees or expenses relating to their accounts:

- Transaction charges, based on either asset or transaction based pricing, deducted monthly or quarterly in advance by the custodian;
- Annual account maintenance fees, deducted annually by the custodian;
- Mutual funds and Exchange Traded Funds ("ETF") have an annual internal expense deducted directly from the security. It is not an expense paid directly by the client or taken from client assets, but is a deduction from a mutual fund's net asset value and similarly from the value of the ETF.

The client may terminate CLA's services within five (5) days of signing advisory paperwork and receive a full reimbursement of any fees paid to CLA.

A client may terminate CLA's services at any other time with written notice and any quarterly fees already collected will be refunded, if requested in writing, on a pro rata basis.

**Conflict of Interest:** The recommendation that a client engage CLA (and/or any of its affiliates) for investment advisory, securities brokerage and/or insurance implementation services presents a **conflict of interest**. No client is under any obligation to engage CLA or any of its affiliates for implementation services. If CLA (and/or its affiliates) is engaged to provide any implementation services, a portion of the consulting services shall generally include the ongoing review (and the consideration thereof as part of the overall PWM consulting process) of investment and/or insurance-related products and/or services previously provided by Cambridge on a separate commission and/or fee basis. **CLA's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding**

**the above conflict of interest.** *Please Note:* The above conflict may not be applicable if the Cambridge representative is not registered/licensed to sell securities or insurance products on a commission basis.

**OTHER COMPENSATION & CONFLICTS OF INTEREST DISCLOSURES:**

As your financial advisor, Cambridge Legacy Advisors, Inc. (“we”) may provide financial planning, money management and wealth management services that includes but is not limited to financial planning, product acquisition and plan implementation services. To the extent that we recommend, on a non-discretionary basis, certain investment vehicles and/or insurance programs, we will be paid for these services on an additional fee and/or commission basis. Commissions may be paid through our affiliated broker-dealer, Cambridge Legacy Securities, LLC, other non-affiliated broker-dealers, and/or our affiliated insurance agency, Cambridge Legacy Agency Group, Inc. We will assess separate fees for specific money management programs. This additional compensation may be viewed as a conflict of interest.

All investment vehicles, including alternative investment programs and insurance programs have various risk factors including liquidity constraints. We remain available to discuss all potential implementation alternatives, including but not limited to money managers, mutual funds, exchange traded securities, fixed income securities, annuities, life, disability, health and long-term care insurance programs as well as private investment programs. **THESE PROGRAMS ARE PROVIDED ON A NON-DISCRETIONARY BASIS AND WILL PROVIDE ADDITIONAL COMPENSATION TO THE AFFILIATED CAMBRIDGE LEGACY FIRMS AND MAY PROVIDE ADDITIONAL COMPENSATION TO YOUR INVESTMENT ADVISOR REPRESENTATIVE. THIS COMPENSATION MAY BE MORE OR LESS THAN WHAT OTHER FIRMS CHARGE FOR THE SAME OR SIMILAR SERVICES.**

From time to time, our affiliated broker-dealer, Cambridge Legacy Securities, L.L.C., which is a member of FINRA, and our affiliated general insurance agency, Cambridge Legacy Agency Group, Inc., may receive marketing and/or due diligence payments from investment product and insurance vendors, who otherwise pay us commissions as described above, for the reimbursement of or to defray certain marketing and advertising expenses for some or all of the costs associated with certain activities including but not limited to sponsoring client events, seminars, or with due diligence trips, retreats, and/or meetings taken by financial advisors or other personnel affiliated with us to investigate and learn more about a vendor’s product that we may wish to offer to our clients. The above payments are in addition to the commission compensation that we may receive for the sale or purchase of any investment or insurance product and may be viewed as a conflict of interest.

Your advisor may also be a registered representative of Cambridge Legacy Securities, LLC. The advisor may sell securities through Cambridge Legacy Securities, LLC and receive commissions as a result of such sales. This presents a conflict of interest to the extent that your advisor recommends that you invest in securities that result in commissions being paid to your advisor.

Similarly, your advisor may be a licensed insurance agent for various companies. As such, they may offer insurance products and receive commissions as a result of such a purchase. This presents a conflict of interest to the extent that your advisor recommends the purchase of insurance products that result in a commission being paid to your advisor.

CLA and its affiliated persons from time to time recommend to clients that they buy or sell securities or investment products in which CLA or the affiliated person has some financial interest. This typically occurs with private placements of limited partnership investments. The conflict of interest is disclosed in the private placement memorandum for the limited partnership offering or in a separate disclosure document for the investment program. The supervising principal reviews all such business and approves it only after confirming the disclosures are signed by the client.

Solicitors of CLA, who refer clients to CLA, will receive as compensation a portion of the advisory fee paid by the client to CLA.

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## **PERFORMANCE BASED FEES & SIDE-BY-SIDE MANAGEMENT**

CLA does not charge or accept performance-based fees nor does it manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as hourly, flat rate or asset-based fee.

## **TYPES OF CLIENTS**

The CLA client base consists of individuals, trusts and estates, charitable organizations, corporations and other business entities. Account minimum requirements vary from \$10,000.00 to \$250,000.00 depending on the money management strategy selected for the client. Accounts with less than \$10,000.00 in client assets may be accepted on an individual basis. Clients who do not wish to participate in money management programs may still use our other services, such as financial planning, Private Wealth Management and other similar services, on a fee for service basis.

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## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

CLA's security analysis methods include one or more of the following:

- Charting, defined as making investment decisions based on multiple indicators including but not limited to price action, volume, moving averages and other factors.
- Fundamental, defined as analyzing the valuation metrics of the underlying security, such as price to earnings, price to sales and price to book ratios, and growth potential.
- Technical, defined as evaluating the non-fundamental characteristics of a security such as momentum, relative strength, trending characteristics, chart patterns and volume.
- Cyclical, defined as identifying supply and demand patterns of an underlying security on a cycle or calendar basis.

The investment strategies used to implement any investment advice given to clients include:

- Long term purchases (securities held at least a year);
- Short term purchases (securities held less than one year);
- Trading (securities held less than 30 days);
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options or spreading strategies)
- Hedging
- Inverse funds/ETFs
- Leveraged funds/ETFs

CLA employs the services of Internal Money Managers (supervised persons of CLA) as well as External Money Managers (Sub-Advisers who are non-supervised persons of CLA) to manage a portion or all of a client's portfolio. These programs are described in detail below. They are also disclosed in their respective Investment Policy & Disclosure Statements and Schedule As, which are approved and signed by the client. These programs are administered and managed by CLA and sub-advised by selected Sub-Advisers which include:

### **INTERNAL MONEY MANAGERS:**

**Strategic Plus:** "Fund of Funds" strategic asset allocation model that is well-diversified among various asset classes including domestic equities, international and/or emerging market equities, fixed income, real estate, oil & gas, precious metals and cash. Portfolios are rebalanced quarterly to pre-determined target allocations; leveraged funds may be used. Strategic Plus attempts to customize client holdings to investment objectives and risk tolerance by offering 5 asset allocation models that range from income to aggressive growth.

**Performance Plus:** Attempts to reduce portfolio volatility and provide portfolio growth by using technical analytics to identify trends in selected market indexes and exploit those trends by either going long or inverse (similar to “short”) selected mutual fund indexes or other available funds. Leveraged funds may be used.

**Advantage Plus:** “Fund of Funds” management style that strives to provide above-average returns with lower volatility relative to the market. Leveraged funds may be used. Multiple indicators are monitored to identify developing trends and trend reversals in markets and/or sectors of markets. Advantage Plus attempts to be opportunistic with trend and trend reversal analysis by moving with positive market trends and/or negative market trends through the use of inverse funds, when available.

**Stravantage Plus:** Manage assets in a “fund of funds” management style that allocates approximately 50% of the portfolio to the strategic allocations of Strategic Plus and approximately 50% of the portfolio to the tactical allocations of Advantage Plus. Strategic Plus is well-diversified among various asset classes including domestic equities, international and/or emerging market equities, fixed income, real estate, oil & gas, precious metals, and cash. Advantage Plus strives to provide above-average returns with lower volatility relative to the market. Multiple indicators are monitored to identify developing trends and trend reversals in markets and sectors of markets. Advantage Plus attempts to be opportunistic with trend and trend reversal analysis by moving with positive market trends and/or negative market trends through the use of inverse funds, when available. Offsetting positions will be netted to cash or money market (for example, a 10% allocation to the S&P 500 in Strategic Plus and a 10% allocation to the inverse of the S&P 500 in Advantage Plus would offset and be reflected as a money market position). Stravantage Plus attempts to customize client holdings to investment objectives and risk tolerance by offering 5 models that range from income to aggressive growth. Inverse funds and/or leveraged funds may be used.

**Dimensional Fund Advisors “DFA” Portfolios:** Dimensional Fund Advisors “DFA” Portfolios are strategic asset allocation portfolios constructed primarily with the Dimensional Funds family of mutual funds, managed on a discretionary basis. The Portfolio Manager determines the asset allocation and selects Dimensional Funds for each investment style component of the portfolios based on proprietary modeling strategies. There are five core models that span the risk/return spectrum. A broad spectrum of asset classes can be accommodated within a single portfolio including domestic small & large-cap, international small & large-cap, emerging markets, fixed income, real estate, commodities, and cash/money market. This management style conducts periodic rebalances to keep portfolios in line with desired investment objectives. Portfolios typically hold between 5 and 15 mutual funds, depending on the model.

#### **EXTERNAL MONEY MANAGERS:**

**Lockwood Capital Management, Inc.:** Assets managed by Sub-Adviser Lockwood Capital Management, Inc. are managed under one of two programs (either Lockwood Asset Allocation Portfolios or Lockwood Investment Strategies). Lockwood Asset Allocation Portfolios are discretionary, multi-discipline managed account products housed in a single portfolio. Lockwood Capital Management, Inc. determines the asset allocation strategy and selects

investment vehicles for each investment style component of the portfolios based on proprietary modeling strategies. There are five core models that span the risk/return spectrum. The broad spectrum of traditional asset classes can be accommodated within a single portfolio of open-end mutual funds, closed-end funds, and ETFs (Exchange Traded Funds). This management style uses automatic rebalancing to keep portfolios in line with desired investment objectives and adapts to changing market conditions. Portfolios typically hold between 5 and 15 securities, depending on the model.

Lockwood Investment Strategies are discretionary, multi-discipline managed account products housed in a single portfolio. Lockwood Capital Management, Inc. determines the asset allocation strategy and selects money managers/investment vehicles for each investment style component of the portfolios based on proprietary modeling strategies. There are five core models that span the risk/return spectrum, and portfolios are managed with regard to the investor's tax status for tax efficiency. The broad spectrum of traditional asset classes can be accommodated within a single portfolio of open-end mutual funds, closed-end funds, Exchange Traded Funds (ETFs), and/or individual securities. Portfolios may include exposure to non-traditional asset classes designed to reduce overall portfolio volatility. Overlay management protocols are used to coordinate the buying and selling of securities, tax-efficiency and rebalancing across the entire portfolio. Portfolios typically hold between 5 and 350 securities, depending on the model.

**Institute for Wealth Management:** Assets managed by Sub-Adviser Institute for Wealth Management, LLC (IWM) offer unbiased asset management solutions designed to meet the challenges of wealth accumulation. IWM's innovative "overlay management" structure focuses on providing flexibility, variety and ease of implementation. IWM offers access to institutional money managers in a model that incorporates strict and objective oversight of their results. IWM does not directly make asset allocation decisions; it draws upon the expertise, resources, and results of top-tier institutional money managers. IWM conducts a research-driven process that analyzes prospective managers. IWM's goal is to select a blend of best-of-class managers that produce above-average, long-term returns while reducing the likelihood of uncomfortable, short-term surprises. IWM regularly monitors the selected managers and has discretion to change managers at anytime.

**Proactive Sector Rotation "PSR" Plus:** Assets managed by Sub-Adviser Howard Capital Management, Inc. are managed to participate in global markets and sectors and designed to protect assets during adverse market trends while targeting to out pace the S&P 500 during positive market trends. Multiple indicators are monitored to identify developing trends in the markets. Various mutual funds are utilized to participate in developing trends within their respective market sectors. It is possible under certain market conditions to be fully positioned in cash and/or short term bonds or bond funds.

**Exchange Traded Funds "ETF" Plus:** Assets managed by Sub-Adviser Howard Capital Management, Inc. use Exchange Traded Funds (ETFs) and are managed to participate in global markets and sectors and designed to protect assets during adverse market trends while targeting to out pace the S&P 500 during positive market trends. Multiple indicators are monitored to

identify developing trends in the markets. It is possible under certain market conditions to be fully positioned in cash and/or short term bond ETFs.

**HCM Bond Plus:** Assets managed by Sub-Adviser Howard Capital Management, Inc. attempt to outperform the Barclays Capital US Aggregate Total Return index by rotating among various bond or income mutual funds, primarily from the Fidelity family of funds. This strategy uses proprietary techniques to evaluate duration, credit quality (high yield, investment grade, treasury, sovereign, & emerging market), and issuer type (government, corporate, & mortgage). The majority of assets will be invested in bond or income-related securities; however, some of these mutual funds may have modest equity exposure. This strategy typically invests in a single bond or income fund; however, it is possible under certain market conditions to be fully positioned in cash and/or money market.

**F-Squared AlphaSector Rotation:** The F-Squared Investments, Inc. AlphaSector Rotation Fund uses a quantitative model that seeks to modestly outperform the S&P 500 Index (the “Index”) in growth markets and significantly outperform the Index during bear markets. The Fund will implement its strategy through investments in nine Exchange Traded Funds (“ETF”s), representing nine major sectors of the Index, and a short-term T-Bill ETF representing one to three month maturity United States treasury bonds (the “T-Bill ETF”). The default position for the Fund is to invest on an equal-weighted basis in all nine ETFs (except the T-Bill ETF). The decision to remove an ETF from the Fund at any time is based on a probabilistic determination by the model that that sector or asset class represented by such ETF will likely decrease in value on a forward looking basis. The model determines when to remove an ETF from the Fund through analysis from a proprietary/analytical engine that evaluates “true” sector trends while adjusting for market “noise” and for changing levels of volatility within each sector. All ETFs represented in the Fund at any time are equal weighted, with a maximum allocation capped at 25% of the strategy at the time of rebalancing. When the Fund’s model signals a bear market (defined as having six or more of the nine sector ETFs removed due to the expectation of future losses), the Fund will build a greater position in the T-Bill ETF, which can, in an extreme bear market, comprise 100% of the Fund. This ability to shift to a defensive position in times of broader market weakness is critical to the Fund's ability to manage downside risk exposures and protect client returns. The Fund’s holdings are reviewed and traded monthly (if necessary).

When available, the ADV Part II of the Sub-Adviser will be provided to the client upon request. Sub-Advisers, Lockwood Capital Management, Institute for Wealth Management, F-Squared Investments, and Howard Capital Management are not affiliates of CLA.

With respect to each of the above listed internal and external money management programs, one or more of the following risk factors will apply:

- The risk of participating in the program is that the client could own a security that could go to zero in value, resulting in a complete loss of that position.
- There is no assurance that the program will meet its objective, that the client will realize a profit or that substantial losses, including total loss, will not be incurred.

- Inverse funds or inverse ETFs have an objective of making money when the market goes down, similar to “short” positions. Thus, if the market goes up, inverse funds or inverse ETFs should lose money.
- Leveraged funds or leveraged ETFs have an objective of multiplying the daily performance of a market or asset class. Thus, if the market goes down, leveraged funds or leveraged ETFs will lose a multiple of the market or asset class on a given day. For example, if the S&P 500 loses 1% on a given day, a leveraged fund or leveraged ETF of 2X (i.e., 2 times) the S&P 500 should lose 2% on that day.
- Since leveraged funds or leveraged ETFs track daily performance, it is unlikely that leveraged funds or leveraged ETFs will achieve a multiple return over time intervals beyond one day.

It is also important for the client to know and understand that there is a risk of loss, including complete loss of principal, in any securities purchase made by the client or investment made in a money management program. The client should be prepared to bear that risk of loss.

Cambridge Legacy Advisors, Inc. has discretionary authority over its accounts to invest and reinvest the assets of their portfolios as deemed to be in their best interest to achieve clients’ stated investment objectives. This will be determined by the answers to risk profile & investment objectives questions contained in the Confidential Client Profile and Investment Advisory Agreement, and the Investment Policy & Disclosure Statement(s) of specific money management strategies, which must be approved and signed by the client. CLA intends to update risk profile & investment objectives answers contained in the Confidential Client Profile and Investment Advisory Agreement as necessary or at any time requested by the client.

Within a fund family or program, the manager has the authority to select the specific fund and amount. While the manager can move or exchange funds within a family or program, he cannot withdraw funds without client approval.

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## DISCIPLINARY INFORMATION

### O. BEN CARROLL

On June 28, 2006, Cambridge Legacy Securities, L.L.C and O. Ben Carroll, jointly and severally, signed a letter of Acceptance, Waiver and Consent to pay a \$10,000 fine to the National Association of Securities Dealers (NASD) for net capital violations resulting from inadvertently taking possession of customer funds, which raised the net capital requirement for Cambridge Legacy Securities, L.L.C. from \$5,000 to \$250,000. Two investor checks for a private placement program had been erroneously deposited into the operating account of the program, on which Mr. Carroll was a signatory, instead of being deposited into an escrow account until such time as the subscription minimum was met. The error was corrected within 15 days with no loss of investment to investors.

### O. BEN CARROLL; RUSSELL K. CHILDS

On July 9, 2010, O. BEN CARROLL, RUSSELL K. CHILDS and Cambridge Legacy Securities, LLC (“CLS”), entered into a Letter of Acceptance, Waiver and Consent with the Financial Industry Regulatory Authority (“FINRA”), No. 2007010684401, whereby CLS, Carroll and Childs accepted and consented to the entry of findings, without admitting or denying same, that CLS violated various FINRA conduct rules by failing to adequately implement a supervisory system designed to achieve compliance with applicable securities laws and regulations regarding the operation of Mr. Childs’ branch office; by failing to properly maintain its email communications and have a proper supervisory system in place regarding internal communications; by Carroll and Childs having accepted a gift or gratuity in excess of \$100.00; by CLS and Childs charging both commissions and advisory fees on alternative investment products whose offering documents prohibited such activity. CLS was censured, fined \$50,000.00 and ordered to make restitution of \$21,864.75. Mr. Carroll was fined \$25,000.00 and suspended in his principal’s capacity for three months. Mr. Childs was fined \$25,000.00 and suspended in all capacities for nine months and ordered to pay restitution.

### CAMBRIDGE LEGACY ADVISORS, INC.

On April 1, 2010, in Docket No. IC10-SUS-10, the Texas State Securities Board issued to Cambridge Legacy Advisors, Inc. a reprimand and a cease and desist order for assessing excessive investment advisory fees and failure to fully disclose same to clients.

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## **OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

O. Ben Carroll and Brian Koepp are registered with FINRA as registered representatives and principals of Cambridge Legacy Securities, LLC, an affiliated company with CLA. Cambridge Legacy Securities, LLC is also wholly owned by Cambridge Legacy Group, Inc., whose majority owners are O. Ben Carroll and his wife, Deanna J. Carroll.

It is anticipated that the majority of securities transactions in connection with its portfolio management program will be executed by Cambridge Legacy Securities, LLC; however, the client is under no obligation to transact securities business through Cambridge Legacy Securities, LLC. The commissions charged by Cambridge Legacy Securities, LLC are comparable with those of other broker/dealers in return for like products and services, but may be higher in some instances than those obtainable from other brokers. However, CLA may use an unaffiliated broker or dealer for various reasons including but not limited to lower transaction costs to client, faster execution services to client, orders filled at more favorable prices for client, or fairness in order executions to all clients related to trades that affect multiple clients.

Cambridge Legacy Group, Inc. also wholly owns Cambridge Legacy Agency Group, Inc., an insurance agency. O. Ben Carroll is licensed in certain states as an insurance agent with appointments to act as agent for various insurance companies. As such, he may offer insurance products to clients and receive normal and customary commissions as a result of such a purchase. This presents a conflict of interest to the extent that he recommends the purchase of insurance products that result in commissions being paid to him as an insurance agent. This conflict of interest is disclosed to the client and commissions received do not exceed the normal and customary commissions paid by any such insurance company. Brian Koepp also is licensed in Texas but holds no insurance company appointments and does not anticipate doing so.

O. Ben Carroll from time to time creates or packages limited partnerships. This presents a conflict of interest to the extent that the principals and/or associates of CLA recommend clients invest in the limited partnerships that he created and/or packaged that result in fees being paid to the principals and/or associates. This conflict of interest is disclosed to the client in the offering memorandum and other documents signed by the client and the chief compliance officer of CLA's affiliated broker-dealer, Cambridge Legacy Securities, LLC has oversight responsibility for due diligence of any limited partnerships sold through the broker-dealer as well as client suitability.

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**CODE OF ETHICS, PARTICIPATION OR  
INTEREST IN CLIENT TRANSACTIONS  
AND PERSONAL TRADING**

**CODE OF ETHICS**

As a fiduciary, CLA has a duty of utmost good faith to act solely in the best interest of each of our clients. Our clients entrust us with their funds, which in turn places a high standard on our conduct and integrity. Our fiduciary duty compels all Investment Adviser Representatives/Solicitors and employees to act with the utmost integrity in all of our dealings. This fiduciary duty is the core principle underlying our Code of Ethics and Personal Trading Policy, and represents the expected basis of all of our dealings with our clients.

A. Standards of Conduct

The Code of Ethics consists of the following core principles:

- (1) The interests of clients will be placed ahead of the firm's or any Investment Adviser Representative's or employee's own investment interests.
- (2) Investment Adviser Representatives/Solicitors and employees are expected to conduct their personal securities transactions in accordance with the Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest with the client. Investment Adviser Representatives/Solicitors and employees with questions regarding the appearance of a conflict with a client should consult with the Chief Compliance Officer before taking action that may result in an actual conflict.
- (3) Investment Adviser Representatives/Solicitors and employees will not take inappropriate advantage of their position with the firm.
- (4) Investment Adviser Representatives/Solicitors and employees are expected to act in the best interest of each of our clients.
- (5) Investment Adviser Representatives/Solicitors and employees are expected to comply with state and federal securities laws. Strict adherence to the CLA policy manual will assist the Investment Adviser Representatives/Solicitors and employees in complying with this important requirement.

A copy of our code of ethics is available to any client or prospective client upon request.

We have written policies and procedures which specifically address personal trading restrictions, approvals necessary for trading, reporting, supervision of trades and sanctions for violation of our policies.

## **BROKERAGE PRACTICES**

Some but not all securities transactions in connection with its portfolio management programs will be executed by Cambridge Legacy Securities, LLC, which is an affiliate of CLA; however, the client is under no obligation to transact securities business through Cambridge Legacy Securities, LLC. Not all advisers require their clients to direct brokerage. The commissions charged by Cambridge Legacy Securities, LLC are comparable with those of other broker/dealers in return for like products and services, but may be higher in some instances than those obtainable from other brokers. However, CLA uses unaffiliated brokers or dealers for various reasons including but not limited to lower transaction costs to client, faster execution services to client, orders filled at more favorable prices for client, or fairness in order executions to all clients related to trades that affect multiple clients. CLA does not permit a client to direct brokerage.

There is no cost benefit or detriment to the client in aggregating orders. The three possible scenarios of trade transaction pricing are (1) asset based pricing, (2) transaction based pricing or (3) trades executed free of charge. In any of those situations, aggregation would be neutral.

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## **REVIEW OF ACCOUNTS**

### **REVIEWS:**

Frequency – Client accounts are reviewed by the Director or his designee on a quarterly basis by random sample or spot check. The purpose of the review is to check for consistency amongst the holdings and percentage allocations to those holdings within accounts in the same money management model. They may also be reviewed at the discretion of the CCO or CEO, by client or advisor request or as a result of a triggering event described below. Performance reports may be provided by the custodian to the clients on a quarterly basis.

Client account triggers are in four general categories: Written customer complaint, internal office (staff or another advisor) complaint, a pattern of non-compliance or suitability as determined by the CCO, CEO, and/or supervising Principal, and significant value fluctuations in the overall portfolio.

We do not provide regular client account reports; those come either monthly or quarterly from the custodian in the mail or online.

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## **CLIENT REFERRALS AND OTHER COMPENSATION**

We do not accept any economic benefit from anyone other than the client for providing investment advice or other advisory services to our clients. We do not directly or indirectly compensate any person who is not affiliated with CLA for client referrals.

## **CUSTODY OF CLIENT FUNDS**

While we do not have custody of client funds, clients should understand that a qualified custodian sends quarterly or more frequently account statements directly to the client. Clients should carefully review those statements. We do not send account statements to clients.

## **INVESTMENT DISCRETION**

We accept discretionary authority to manage securities accounts on behalf of our clients. The Investment Advisory Agreement signed by the client gives us the sole discretion to manage the client's account in conformance with the programs selected by the client. The client may specify investment restrictions with regard to legal social or tax considerations on the Confidential Client Profile which is a part of the Investment Advisory Agreement.

## **VOTING CLIENT SECURITIES**

Our Policy and Procedures Manual prohibits us from voting client securities or permitting our advisors to do so. Clients cannot direct us to vote in a particular solicitation. Clients may obtain a copy of our proxy voting policy upon request. Clients will receive their proxy or other solicitations directly from their custodian or a transfer agent. CLA personnel may answer client questions regarding proxy-voting matters in an effort to assist the client in determining how to vote the proxy. However, the final decision of how to vote the proxy rests with the client.

## **FINANCIAL INFORMATION**

As stated above, we have discretionary authority over client accounts. We are unaware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

**CAMBRIDGE LEGACY ADVISORS, INC.**

**15660 North Dallas Parkway, Suite 700**

**Dallas, Texas 75248**

**972-267-8181 (office)**

**972-267-8180 (facsimile)**

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

**BROCHURE SUPPLEMENT**

**Dated May 20, 2011**

**Part 2A of Form ADV**

**This brochure supplement provides information about certain investment advisor representatives named below with Cambridge Legacy Advisors, Inc. This supplements the Cambridge Legacy Advisors, Inc. brochure. You should have received a copy of that brochure. Please contact John Mahoney, Chief Compliance Officer of Cambridge Legacy Advisors, Inc. if you did not receive Cambridge Legacy Advisors, Inc.'s brochure or if you have any questions about the contents of this supplement.**

## EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

### EDUCATION AND EMPLOYMENT FOR: ORAN BEN CARROLL, Chairman, CEO

Date of Birth: August 17, 1953

#### Education

Master of Science - Human Relations and Management - Abilene Christian University 1977

Bachelor of Science - Liberal Arts - Dallas Christian College 1975

#### Employment:

Cambridge Legacy Group - Chairman/CEO 1995 - Present

Cambridge Legacy Securities 2001 - Present

### EDUCATION AND EMPLOYMENT FOR : BRIAN KOEPP, Director

Date of Birth: April 11, 1971

#### Education

Master of Education - University of Houston 1996

Bachelor of Business Administration – Marketing – Texas A&M University 1995

#### Employment

Cambridge Legacy Group 2005 - Present

Wealth Management Advisors 2003 - 2006

### EDUCATION AND EMPLOYMENT FOR BENJAMIN DEAN

Date of Birth: March 15, 1963

#### Education

Bachelor of Business Administration – Finance – University of North Texas 1986

#### Employment

Cambridge Legacy Group 2008 – now

Williams Financial Group 2007 – 2008

Southwest Securities, Inc. 2002 – 2007

### EDUCATION AND EMPLOYMENT FOR STEVEN FRUEH

Date of Birth: April 5, 1971

#### Education

Attended Texas A&M University 1989 – 1994

#### Employment

Wealth Management Advisors 2005 – now

### EDUCATION AND EMPLOYMENT FOR DANIELLE HEARNE

Date of Birth: October 10, 1983

#### Education

Bachelor of Science – Marketing – Louisiana Tech University 2005

#### Employment

Strategic Advisors, Inc. 2007 –now

Fidelity Investments 2006 – 07

#### EDUCATION AND EMPLOYMENT FOR JOEL BAILEY

Date of Birth: November 18, 1943

##### Education

Bachelor of Science, Mobile College, 1969

Master of Science, Trinity University, 1970

##### Professional Designations

CLU, ChFC

##### Employment

Cambridge Legacy Advisors, Inc., 2010-present

Metropolitan Life Insurance Co., 2006-2010

#### EDUCATION AND EMPLOYMENT FOR KEN CORNETT

Date of Birth: April 28, 1942

##### Education

Bachelor's Degree, Southwest Texas State University, 1965

##### Professional Designations

CFP

Cambridge Legacy Advisors, Inc., 2008-present

Financial Adviser, D. H. Hill Securities, 2006-2009

Financial Adviser, Associated Securities Corp., 2005-2006

#### EDUCATION AND EMPLOYMENT FOR EDNA HADEN

Date of Birth: October 4, 1965

##### Education

Bachelor of Science – Chemical Engineering – Mississippi State University

##### Professional Designations

CFP

##### Employment

Cambridge Legacy Advisors, 2007-present

Strategic Advisors, Owner/Financial Planner, 2005-2007

#### EDUCATION AND EMPLOYMENT FOR RALEIGH BAILES, JR.

Date of Birth: May 13, 1978

##### Education

Bachelor of Science – Family Financial Planning- Texas Tech University, 2001

Certificate in Accounting, University of Houston, 2005

##### Professional Designations

CFP, CPA

##### Employment

Princor Financial Services

Tax Manager, Bailes, Bailes and Associates

Cambridge Legacy Advisors, Inc., 2009-present

#### EDUCATION AND EMPLOYMENT FOR MIKE BREEDLOVE

Date of Birth: April 13, 1945

##### Education

Bachelor of Business Administration, University of Texas-Arlington, 1969

##### Professional Designations

ChFC, CLU

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2008-present

Registered Representative, American General Securities, 2005-2007

#### EDUCATION AND EMPLOYMENT FOR KYLE BRYAN

Date of Birth: September 25, 1949

##### Education

Bachelor of Science – Management – Texas Christian University, 1971

##### Professional Designations

ChFC, CLU

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Insurance Agent/Registered Representative, Lincoln Financial Securities, 2006

Capitol Management Company, Registered Representative, 2006

#### EDUCATION AND EMPLOYMENT FOR BRAD CARROLL

Date of Birth: December 19, 1981

##### Education

Bachelor of Science, University of Oklahoma, 2009

##### Employment

Cambridge Legacy Advisors, Inc. – Advisor, 2010-present; RIA Assistant, 2009-2010

#### EDUCATION AND EMPLOYMENT FOR RUSSELL K. CHILDS

Date of Birth: April 23, 1956

##### Education

Bachelor of Arts, University of Utah, 1980

Masters of Business Administration, University of Utah, 1981

##### Professional Designations

CFP, ChLC, ChFC

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2005-present

Registered Representative, Cambridge Legacy Securities, LLC, 2005-present

#### EDUCATION AND EMPLOYMENT FOR FRED CHASALOW

Date of Birth: July 10, 1942

##### Education

Bachelor of Science, Stephens Institute of Technology, 1964

Doctor of Philosophy – Biochemistry – Brandeis University, 1971

##### Professional Designations

CFS

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2007-present

Investment Adviser Representative/Registered Representative, Linsco Private Ledger Corp., 2001-2007

#### EDUCATION AND EMPLOYMENT FOR DANIEL COLLINS

Date of Birth: February 17, 1947

##### Education

Bachelor of Arts, Towson University, 1974

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., present

Registered Representative, First Allied Securities, 2005-2010

#### EDUCATION AND EMPLOYMENT FOR TODD COUR

Date of Birth: March 26, 1972

##### Education

None following high school

##### Employment

Financial Advisor, New York Life Securities, LLC, 2006-2011

Investment Advisor Representative, Cambridge Legacy Advisors, Inc. 2011

#### EDUCATION AND EMPLOYMENT FOR KEN DAVEY

Date of Birth: October 20, 1960

##### Education

Bachelor of Science, State University of New York, 1982

##### Employment

Investment Adviser Representative/Registered Representative, First Command Services, Inc., 2005-2007

Investment Adviser Representative, Cambridge Legacy Advisors, Inc. 2007-present

#### EDUCATION AND EMPLOYMENT FOR HORACE GODBEE, III

Date of Birth: November 20, 1945

##### Education

Bachelor of Science, Louisiana College

Master of Business Administration, Webster University

##### Professional Designations

CFP, CLU

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc. 2005-present

Registered Representative, Cambridge Legacy Securities, LLC, 2005-2010

#### EDUCATION AND EMPLOYMENT FOR JASON HENRY

Date of Birth: June 25, 1978

##### Education

Some college study following high school, 2004

##### Employment

Investment Advisor Representative, Cambridge Legacy Advisors, Inc. 2005-present

Registered Representative, Cambridge Legacy Securities, LLC, 2005-present

#### EDUCATION AND EMPLOYMENT FOR RON HOUSE

Date of Birth: May 25, 1947

##### Education

Bachelor's Degree, American College, 2002

##### Professional Designations

ChFC

##### Employment

Investment Advisor Representative, Cambridge Legacy Advisors, Inc., 2008-present

Registered Representative, Cambridge Legacy Securities, LLC, 2008-present

Financial Advisor, American General, 2005-2008

#### EDUCATION AND EMPLOYMENT FOR TOM WILLIAMS

Date of Birth: August 16, 1939

##### Education

Bachelor's Degree – Marketing – Texas Christian University, 1962

Master's Degree – International Affairs – George Washington University, 1972

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Registered Representative, Cambridge Legacy Securities, LLC, 2006-present

#### EDUCATION AND EMPLOYMENT FOR MIKE LOGSDON

Date of Birth: November 9, 1975

##### Education

Bachelor's Degree – Business Communication – University of Oklahoma, 1998

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Registered Representative, Cambridge Legacy Securities, LLC, 2006-present

#### EDUCATION AND EMPLOYMENT FOR ALEX WITTENBURG

Date of Birth: May 26, 1970

##### Education

Bachelor's Degree – Organizational Management – John Brown University, 2006

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Registered Representative, Cambridge Legacy Securities, LLC, 2006-present

#### EDUCATION AND EMPLOYMENT FOR DILIP SHAH

Date of Birth: November 27, 1952

##### Education

Bachelor of Arts, University of Missouri-Rolla, 1974

Master's Degree, University of Missouri-Rolla, 1976

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Registered Representative, Cambridge Legacy Securities, LLC, 2006-present

#### EDUCATION AND EMPLOYMENT FOR ANGEL PEREZ

Date of Birth: April 30, 1963

##### Education

Bachelor of Arts – Economics – University of California, Davis, 1989

##### Professional Designations

CFP

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Registered Representative, Cambridge Legacy Securities, LLC, 2006-present

#### EDUCATION AND EMPLOYMENT FOR ELIZABETH NORWOOD

Date of Birth: November 2, 1956

##### Education

Bachelor of Science – Finance – Sam Houston State University, 1994

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2010-present

Registered Representative, Cambridge Legacy Securities, LLC, 2010-present

Registered Representative, Girard Securities, Inc., 2005-2009

#### EDUCATION AND EMPLOYMENT FOR STEVE MYLER

Date of Birth: October 22, 1953

##### Education

Bachelor's Degree - Economics/Finance – Northern Michigan University, 1976

##### Professional Designations

CFP

##### Employment

Commercial Loan Officer, Whitney Bank

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., present

#### EDUCATION AND EMPLOYMENT FOR JOHN KELLY

Date of Birth: August 4, 1951

##### Education

Attended University of Louisiana, Monroe, 1971

##### Professional Designations

ChFC

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Registered Representative, Cambridge Legacy Securities, LLC, 2006-present

#### EDUCATION AND EMPLOYMENT FOR JAY JONES

Date of Birth: January 31, 1948

##### Education

Bachelor of Science – Psychology – University of Tennessee-Chattanooga, 1972

##### Employment

Financial Adviser, Wealth Resource Management, 2006-2007

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Registered Representative, Cambridge Legacy Securities, LLC, 2006-2010

President/Owner, J. A. Jones & Associates, 2006-present

#### EDUCATION AND EMPLOYMENT FOR CARL SPITERI

Date of Birth: 1955

##### Education

Attended El Camino College, 1975-76

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2010-present

#### EDUCATION AND EMPLOYMENT FOR DOUG SMITH

Date of Birth: March 3, 1963

##### Education

Bachelor of Sacred Theology, Spectrum School of Ministry, 2006

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., present

Registered Representative, Cambridge Legacy Securities, LLC, present

Registered Representative, GWN Securities

General Manager, Safeguard Retirement Group

#### EDUCATION AND EMPLOYMENT FOR JOHN WHITE

Date of Birth: May 28, 1948

##### Education

Bachelor of Business Administration, University of West Georgia, 1970

##### Professional Designations

ChFC

##### Employment

Financial Advisor, SSN Advisory, Inc. 2006-  
Investment Adviser Representative, Cambridge Legacy Advisors, Inc., present  
Registered Representative, Cambridge Legacy Securities, LLC, present

#### EDUCATION AND EMPLOYMENT FOR CHUCK MORGAN

Date of Birth: December 27, 1953

##### Education

Bachelor of Arts – Philosophy and Communications – Wheaton College, 1975

Master of Business Administration, Boston University, 1979

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2007-present

Registered Representative, Cambridge Legacy Securities, LLC, 2007-present

Investment Adviser Representative/Registered Representative, Raymond James, 2006-2007

#### EDUCATION AND EMPLOYMENT FOR GLORIA CHAPMAN

Date of Birth: August 19, 1949

##### Education

Bachelor of Science – Nursing – University of Michigan, 1971

##### Employment

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2010-present

Registered Representative, Cambridge Legacy Securities, LLC, 2010-present

Registered Representative/Investment Adviser Representative, MML Investor Services, 2006-2010

#### EDUCATION AND EMPLOYMENT FOR DOUG SNIDER

Date of Birth: October 28, 1949

##### Education:

Bachelor's Degree – Finance and Accounting – University of Washington, 1974

##### Employment:

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2010-present

Registered Representative, Cambridge Legacy Securities, LLC, 2010-present

Investment Adviser Representative/Registered Representative, Linsco Private Ledger, 2006-2010

#### EDUCATION AND EMPLOYMENT FOR DOUG BLANKENSHIP

Date of Birth: November 1, 1961

##### Education:

Bachelor of Science – Finance - Louisiana State University, 1980

Master of Science – Finance – University of Texas, 1984

Professional Designations: CFP

##### Employment:

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Registered Representative, Cambridge Legacy Securities, LLC, 2006-present

#### EDUCATION AND EMPLOYMENT FOR MIKE HENRY

Date of Birth: November 8, 1945

Education:

Bachelor of Science – Business and Economics – Wichita State University, 1969

Employment:

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Registered Representative, Cambridge Legacy Securities, LLC, 2006-present

#### EDUCATION AND EMPLOYMENT FOR DOMINIQUE VERCAEMERT

Date of Birth: September 18, 1953

Education:

Employment:

Investment Adviser Representative, Cambridge Legacy Advisors, Inc., 2006-present

Registered Representative, Cambridge Legacy Securities, LLC, 2005-present

#### EDUCATION AND EMPLOYMENT FOR MICHAEL JONES

Date of Birth: February 6, 1958

Education:

Bachelor of Science – Communication Theory – Indiana State University, 1980; Master of Science – Financial Services, The American College, 2001; Master of Theology – Campbellsville University, 2011.

Professional Designations:

CFP, ChFC

Employment:

Investment Adviser Representative, Cambridge Legacy Advisors, Inc. 2011-present

Registered Representative, Cambridge Legacy Securities, LLC, 2011-present

Registered Representative, Lincoln Financial Securities, Corp. 2009-2011

Investment Adviser Representative, US Financial Advisors, LLC, 2009-2011

President/Owner, Lifetime Financial Solutions, Inc., 2006-present

Registered Representative, Linsco/Private Ledger Corp., 1995-2009

## DISCIPLINARY INFORMATION

RUSSELL K. CHILDS, O. BEN CARROLL

On July 9, 2010, Cambridge Legacy Securities, LLC (“CLS”), O. Ben Carroll and Russell K. Childs entered into a Letter of Acceptance, Waiver and Consent with the Financial Industry Regulatory Authority (“FINRA”), No. 2007010684401, whereby CLS, Carroll and Childs accepted and consented to the entry of findings, without admitting or denying same, that CLS violated various FINRA conduct rules by failing to adequately implement a supervisory system designed to achieve compliance with applicable securities laws and regulations regarding the operation of Mr. Childs’ branch office; by failing to properly maintain its email communications and have a proper supervisory system in place regarding internal communications; by Carroll and Childs having accepted a gift or gratuity in excess of \$100.00; by CLS and Childs charging both commissions and advisory fees on alternative investment products whose offering documents prohibited such activity. CLS was censured, fined \$50,000.00 and ordered to make restitution of \$21,864.75. Mr. Carroll was fined \$25,000.00 and suspended in his principal’s capacity for three months. Mr. Childs was fined \$25,000.00 and suspended in all capacities for nine months and ordered to pay restitution.

On April 1, 2010, in Docket No. IC10-SUS-10, the Texas State Securities Board issued to Russell K. Childs a reprimand, assessed a \$25,000.00 fine, ordered restitution of certain commissions to clients and suspended his registrations as an agent and as an investment adviser representative for a period of nine months. The sanctions were imposed based on Mr. Childs’ failure to have all forms and documents completed prior to obtaining the client’s signature, failure to comply with his firm’s written supervisory procedures, failure to disclose required information on his Form U-4, engaging in unsuitable transactions, assessment of commissions prohibited in an investment’s prospectus, assessment of excessive investment advisory fees and failure to fully disclose such fees.

On January 3, 2005, in Docket No. IC05-SUS-01, the Texas State Securities Board suspended Russell K. Childs’ registrations as an agent and as a registered investment adviser representative for fifteen (15) days, assessed an administrative fine of \$50,000.00, issued a reprimand, placed him on probation for a period of two (2) years and ordered him to comply with an Undertaking with the State Board, his broker-dealer, Cambridge Legacy Securities, Inc. and Cambridge Legacy Advisors. Inc. The sanctions were imposed because Mr. Childs failed to timely file a Form D with the state securities board in connection with two private placements controlled by him and for failing to initially disclose all businesses in which he was engaged on Form U4 as required by the State of Texas.

On August 1, 2003, in SSB Docket No. 03-031, Russell K. Childs was reprimanded by, and paid an administrative fine of \$5,000.00 to, the Texas State Securities Board and further, Mr. Childs entered into an Undertaking with his broker-dealer, IMS Securities, Inc. for the purpose of settlement of the underlying enforcement matter arising from a customer complaint.

MICHAEL H. HENRY

On March 21, 1996, in Docket No. SUS/CEN-1092, the Texas State Securities Board suspended Michael H. Henry's securities license from soliciting new accounts for a period of one (1) day, issued a reprimand and placed him on probation for a period of two (2) years for allowing an office intern who was an unregistered person to make "cold calls" to potential investors regarding the sale of a church bond.

ALEX L. WITTENBURG, HENRY H. GODBEE, III

On May 31, 2006, in Case No. E052004029501, Alex L. Wittenburg, Rodney G. Graves, and Henry H. Godbee, III entered into a Letter of Acceptance, Waiver and Consent with the National Association of Securities Dealers agreeing to a sixty (60) day suspension and a fine of \$30,000 for exercising customer approved discretion in accounts without prior written authorization from their then Broker/Dealer, SII Investments, Inc.

DOUG BLANKENSHIP

On January 16, 2003, in Docket No.03-002, the Texas State Securities Board assessed an administrative fine of \$1,500.00 and a reprimand on Doug Blankenship for withdrawing customer funds from the customer's account in a manner that left the balance of the account inconsistent with the customer's investment objectives.

## OTHER BUSINESS ACTIVITIES

The following advisors are actively engaged as a registered representative of Cambridge Legacy Securities, LLC, a FINRA registered broker-dealer and/or as a licensed insurance agent acting through Cambridge Legacy Agency Group, Inc. These persons receive commissions based on the sale of securities or other investment products, including distribution or service fees from the sale of mutual funds. They also receive commissions for the sale of insurance products. This practice gives your advisor an incentive to recommend investment and/or insurance products based on the compensation received, rather than on client need. We fully disclose, in this document and in the documents that clients sign to transact business with us, all conflicts of interest related to the purchase and sale of securities and insurance products. All transactions of this nature are fully reviewed by CLA supervisory personnel to make sure that the client's needs come first and are being met so that we carry out fully our fiduciary duty to the client. This includes making sure the conflict of interest that arise are fully disclosed and that the transactions are suitable for the client.

ADVISOR	REGISTERED REPRESENTATIVE	INSURANCE AGENT
Joel Bailey	Yes	Yes
Ken Cornett	Yes	Yes
Edna Haden	Yes	Yes
Raleigh Bailes, Jr.	Yes	Yes
Mike Breedlove	Yes	Yes
Kyle Bryan	Yes	Yes
Russell K. Childs	Yes	Yes
Fred Chasalow	Yes	No
Daniel Collins	Yes	Yes
Todd Cour	Yes	Yes
Ken Davey	Yes	Yes
Horace Godbee III	No	Yes
Jason Henry	Yes	No
Ron House	Yes	Yes
Tom Williams	Yes	Yes
Mike Logsdon	Yes	No
Alex Wittenburg	Yes	Yes
Dilip Shah	Yes	Yes
Angel Perez	Yes	Yes
Elizabeth Norwood	Yes	Yes
Steve Myler	Yes	Yes
John Kelly	Yes	Yes
Jay Jones	No	Yes
Carl Spiteri	Yes	No
Doug Smith	Yes	Yes
John White	Yes	Yes
Chuck Morgan	Yes	Yes
Gloria Chapman	Yes	Yes

Doug Snider	Yes	Yes
O. Ben Carroll	Yes	Yes
Doug Blankenship	Yes	Yes
Mike Henry	Yes	Yes
Dominique Vercaemert	Yes	Yes

The following advisors are actively engaged in a business or occupation for compensation other than disclosed above. Such business activity provides a substantial source of the advisor's income or involves a substantial amount of the advisor's time. The nature of the business is described below.

Carl Spiteri	Mortgage business
Jay Jones	Consulting
Angel Perez	Tax business
Jason Henry	Tax business
Ken Davey	Real estate
Russell K. Childs	General Partner, ARGOGIA Funds I and II
Mike Breedlove	Insurance Agency
Raleigh Bailes, Jr.	Tax accounting

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## **ADDITIONAL COMPENSATION**

CLA does not allow someone who is not a client to provide an economic benefit to any of investment adviser representative for providing advisory services. We also do not pay bonuses to advisors based in whole or in part on the number or amount of sales, client referrals or new accounts.

## **SUPERVISION**

All paperwork executed by the client for investment purposes is approved by a branch manager and/or the Director of CLA. In this manner, we are able to review client advisory business that is submitted as the paperwork is reflective of the investment advice given to the client. In the event that paperwork is rejected for any reason, the advisor is notified in writing by the Director of the problem or deficiency so that it may be corrected appropriately.

The branch managers with initial supervisory responsibility over the advisors are Ben Dean, Steve Frueh, and Danielle Hearne, 15660 North Dallas Parkway, Suite 700, Dallas, Texas 75248; phone 972-267-8181. The Director of CLA is Brian Koeppe, at the same address and phone number. The Vice-President of Operations is Brad Carroll at the same address and phone number.