



DEMMING FINANCIAL SERVICES CORP.

David W. Demming
Certified Financial Planner™

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DISCLOSURE BROCHURE

Advisory Services and Fees

Demming Financial Services Corporation (DFSC) is an investment adviser established in 1981 that provides comprehensive financial planning services and advice on specific investment and insurance-related projects. The firm is located at 13 New Hudson Road, Aurora, Ohio 44202, and its phone number is (330) 562-2122. A description of each service the firm provides follows.

Financial Planning and Project Services

DFSC provides financial plans designed to address a client's financial and tax status and investment objectives. Approximately 60% of the firm's business involves financial plans which include advice about securities, while the balance of the firm's services involve giving advice on matters not involving securities. Services begin with a DFSC Representative gathering financial data, identifying weak or problematic financial circumstances, assessing risk tolerance, and defining financial objectives. Clients may request a comprehensive financial plan to include many focus areas, or may request advice on a limited project addressing a specific financial circumstance. For example, planning may focus on cash flow management, investments, insurance/risk management, taxes, employee benefits, children's educational goals, retirement, and/or estate plans. Ongoing services are also available to evaluate the progress of a plan or to monitor the performance of investments.

Asset Management Services

For clients wishing to have their investments reviewed on an intermittent basis, DFSC can provide its account monitoring services. DFSC makes periodic reviews of investments designated by the client, and makes recommendations to the client at the times DFSC deems it appropriate to do so regarding the purchase, sale or holding of investments. DFSC also will meet with a client during the term of the agreement, at the times mutually agreed between DFSC and the client, to discuss the performance of the client's account in relation to client's investment objectives. DFSC will not have custody or possession of any client assets or have any discretionary authority to select brokerage firms or make investments.

Fees. Fees for the initial comprehensive and project plans are negotiable and usually range from \$750 - \$10,000 per engagement based upon complexity of the plan and the level of services required to be provided by DFSC's Representative.

The annual retainer fee for ongoing services after the first year is no higher than 2% of a client's investable assets, or \$5,000, whichever is lower.

At a client's request, an hourly fee, based on a rate of \$100 - \$200 per hour, is quoted, depending on the specific services requested.

A client may also agree to pay DFSC for asset management services by means of an annual asset-based fee of .50% - 2.00% of the value of mutual funds and other securities subject to services. Asset-based fees are quoted in advance and are payable calendar quarterly, semi-annually or annually based upon the value the account at the end of the billing period after services are provided. The initial fee due DFSC is prorated for the number of days services were provided during the previous billing period. In the event of contract termination, a client is obligated to pay DFSC

all fees earned prorated to the day of termination. DFSC may, at its discretion, discount in whole or in part the asset-based fee if the client purchases securities or insurance products through Representatives of DFSC who are licensed as securities or insurance salespersons and who will receive commissions as a result of such purchases.

All or a portion of the fee for services may be paid, at the option of the client, by the purchase of mutual fund share classes which result in increased annual expense ratios (i.e., expenses charged by the mutual funds as internal expenses) which result in the client's representative receiving higher continuing asset-based 12(b)-1 fees than those available in other mutual fund share classes. Because of the higher internal expenses inherent in such fund class ownership, clients owning such classes long-term may pay higher total fees (DFSC's fees plus internal expenses, including 12(b)-1 fees) than would be incurred if the services of other investment advisors providing similar services were engaged, or if a different DFSC fee payment method were selected. The amount recommended and invested in such classes will vary from client to client based on the investment needs of the client. Other fees may also vary. Thus, clients receiving similar services will pay different total fees. Because counselors at DFSC will receive continuing asset-based 12(b)-1 fees if clients maintain such fund class positions, this revenue flow is an influence to DFSC's counselors to recommend the purchase of those classes and to recommend maintaining positions in such classes rather than sell them to make other investments not involving such fees.

Planning and asset management services continue until either the client or DFSC terminates the agreement, which can occur on ten (10) day written notice to the other party.

Third Party Manager Search Services

DFSC has entered into agreements with other investment advisers specializing in locating investment management firms and recommends these other advisers to clients. These sponsors provide a manager selection pool, manager performance information and account performance reporting. Clients should be aware that managers within these pools are those that have agreed to participate in the sponsor's program, thus may have performance histories which are better or worse than other available managers. The client is under no obligation to use the services of the other managers recommended by these advisers or by DFSC.

DFSC Representatives will not conduct an individual search for an investment management firm before recommending a manager to a client. Instead, the Representative will recommend a manager he is familiar with, or a manager from a list provided by an adviser specializing in locating investment management firms. Thus, the past performance of other managers not recommended by the Representative, but available to the client, may be better or worse than that of the manager recommended.

While a client's account is being managed by a manager, the client's DFSC Representative counsels the client about the managed account's performance. Meetings occur as frequently as mutually agreed between the client and the Representative.

Fees. Annual fees for this service are charged by the manager or manager search program sponsor and DFSC and usually range from .60% to 2.50% of the value of assets under management, depending upon type of services to be provided. In establishing its own fee DFSC usually charges from .50%-1.25% of the value of assets under management per year.

Considerations

DFSC's fees do not include transaction execution costs or any other expense associated with maintaining the account or implementing advice.

To the extent mutual funds are included as managed assets, clients should be aware that such funds also deduct their own advisory fees and expenses which affect the fund's reported performance. Depending on the fund, a client may be able to invest directly in the shares of a fund without incurring any sales or advisory management fees. In addition, there are tax effects pertaining to fund share redemptions made by DFSC on behalf of clients. Redemptions are taxable events that may accelerate the recognition of capital gains, and frequent redemptions may result in short-term, rather than long-term capital gains.

The firm's advisory fees for management or consultation services may be higher or lower than available from other service providers. Clients and prospective clients should be aware that mutual fund investments are long-term

investments which usually do not require intensive monitoring or frequent transactions and that an asset-based fee may result in paying fees which are high, particularly if the fee is based upon a single fund position or a portfolio composed of a few positions.

The firm does not guarantee the results of the advice it gives. Thus, losses can occur by using DFSC's services.

Types of Clients

DFSC provides advice primarily to individuals, pension and profit sharing plans, trusts, estates, corporations and other business entities.

Types of Investments

The types of securities for which DFSC and its representatives will generally recommend are: equity securities traded on stock exchanges and over-the-counter; warrants; certificates of deposit; corporate debts securities; commercial paper; municipal and government securities; variable life insurance policies; variable annuity contracts; redeemable shares of investment companies (mutual funds); limited partnership interests including, but not limited to, real estate and equipment leasing.

Investment advice may also be provided about real estate investment trusts (REITs).

Methods of Analysis, Sources of Information and Investment Strategies:

- a. **Methods of Analysis.** DFSC's security analysis methods will be fundamental in nature.
- b. **Sources of Information.** The main sources of information used by DFSC in connection with its advisory services are financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports of issuers of securities; prospectuses and offering circulars and memoranda, reports filed by issuers of securities with the U.S. Securities and Exchange Commission, company press releases, and estate planning, financial planning, and income tax services purchased on a subscription basis.
- c. **Investment Strategies.** The investment strategies used by DFSC and its Representatives to implement the investment advice given to clients will normally be long-term in nature, generally defined as the purchase of securities to be held for one (1) year or more. Traditionally DFSC recommends investments be held at least three to five (3-5) years. Short-term purchases may also be recommended if suitable.

Education and Business Standards

DFSC requires its Representatives to have sufficient educational or experience backgrounds to provide advice to clients competently.

Education and Business Background of Professionals Providing and Supervising the Provision of Investment Advice to Clients

David W. Demming, born July 24, 1947, graduated from Miami University in 1969, earning a Bachelor of Arts Degree in history and Bachelor of Science degree in education. Mr. Demming also earned a Master's degree in economic history from Kent State University in 1976. Mr. Demming holds the professional designation of Certified Financial Planner™. He is registered as a General Securities Representative (Series #7), and General Securities Principal (Series #24) with the National Association of Securities Dealers, Inc. (a self-regulatory organization), and is licensed as a Securities Agent in various state jurisdictions and as an Insurance Agent and Mortgage Broker in Ohio. Mr. Demming is a member of the Financial Planning Association (FPA).

Since 1978, Mr. Demming has been actively engaged in the financial planning, investment advisory, securities, insurance and mortgage business. He is the founder and president of Demming Financial Services Corporation and since March 1987 has been a branch manager of Coordinated Capital Securities, Inc., a securities broker/dealer registered under the Securities Exchange Act of 1934. Previously Mr. Demming was affiliated with Investors Diversified Services, Inc. (IDS), Universal Heritage Investments Corporation, and American Pacific Securities Corporation.

David W. Demming Jr., born January 24, 1980, graduated from Colorado State University in 2002, earning a Bachelor of Science Degree in Business Administration, with a concentration in Organization Management. Mr. Demming Jr. completed an internship with the First Eagle Funds in New York during the summer of 2002, and has been actively engaged in the financial planning and securities business since that time. He has been affiliated with Coordinated Capital Securities, Inc. and Coordinated Capital Advisory in the capacity of General Securities Representative (Series #7) and Investment Advisor Representative (Series #66) with the National Association of Securities Dealers, Inc. since 2003.

Mr. Demming Jr. obtained his Certified Financial Planner™ certification in 2005, and is an active member of the Financial Planning Association (FPA).

Patricia L. Fenoglio, born December 13, 1946, graduated from St. Mary's College, South Bend, Indiana, in 1968, earning a Bachelor of Science degree in Biology. She is registered as a General Securities Representative (Series #7) and Investment Advisor Representative (Series #66) with the National Association of Securities Dealers, Inc., and is licensed as a Securities Agent in various state jurisdictions.

Since 1995 Ms. Fenoglio has been employed by Demming Financial Services Corp. as administrative financial assistant and has been affiliated with Coordinated Capital Securities, Inc., a securities broker/dealer, as a Registered Securities Representative since 2001, and as an Investment Advisor Representative since 2003.

Other Business Activities

DFSC is also an insurance agency and its Principals are licensed as insurance agents. Representatives are also licensed securities representatives. Mr. Demming also is engaged in the business of originating and securing residential mortgage loans.

Other Financial Industry Activities or Affiliations

Representatives of DFSC are also securities representatives with Coordinated Capital Securities, Inc. (CCS). CCS is a general securities broker/dealer and a member of the National Association of Securities Dealers, Inc. Representatives of DFSC giving advice may recommend securities, asset management or insurance products offered by CCS. If clients obtain these products through the Representatives, the Representatives will share in the customary sales commissions or fees. Thus, a conflict exists between a Representative's role as adviser to a client and role as securities salesperson for CCS.

Representatives have the same conflict of interest when recommending other insurance products and mortgage brokers because they and DFSC will receive a commission on the insurance products and mortgage services they recommend if acquired by a client.

A client is under no obligation to purchase products recommended, or to purchase products either through DFSC Representatives or CCS. Commissions charged may be higher or lower than those of other product providers.

Participation or Interest in Client Transactions

At times the interests of DFSC or its Representatives may correspond with their clients' interests. DFSC and its Representatives may, for example, invest in the same securities that are recommended to clients. DFSC and its Representatives will generally be "last in" and "last out" for the trading day.

Conditions For Accepting Accounts

DFSC imposes a minimum fee of \$100 for asset management services for accounts valued at less than \$10,000.

Any controversy or claim, including, but not limited to, errors and omissions arising out of, or relating to, the advisory agreement is required to be settled by arbitration.

Review of Accounts and Reports

Client accounts are reviewed periodically according to the type of investments in the accounts and level of service requested. All accounts are categorized by type: securities, partnership, long-term/short-term. Short-term accounts are reviewed in accordance with the client's short-term objectives. Long-term accounts are reviewed on an annual

basis or quarterly basis as mutually agreed between DFSC and the client. All reviews are performed by licensed credentialed employees of DFSC upon the request of client, or as deemed necessary by DFSC.

Clients do not receive status reports as to account holdings from DFSC. Instead, clients receive trade confirmations and statements directly from mutual funds and brokers showing their investment holdings. Clients also receive a consolidated report of accounts from DFSC in conjunction with their annual review.

Brokerage Recommendations and Use of Discretion

While providing services, DFSC Representatives do not exercise discretion in selecting specific securities. DFSC Representatives also do not exercise discretion to select brokerage firms or custodians. DFSC will, however, recommend, and clients receiving management services typically designate, CCS's transaction clearing firm to be account custodian and to execute all securities transactions. Thus, DFSC will not exercise discretion to evaluate the commissions and services of other broker-dealers unless unusual conditions exist and a client asks the firm to do so.

Clients who retain DFSC to prepare financial plans, evaluation reports, or consulting services are under no obligation to purchase or sell any securities through DFSC, or to purchase any securities or insurance through its Representatives. Furthermore, comparable investment and insurance products may be available at competitive rates through other unrelated securities and insurance professionals and entities. Clients may elect to execute transactions through other parties.

Selection of one broker-dealer for executing orders may not allow DFSC to receive research from other broker-dealers in return for directing transactions to those firms, or allow DFSC to evaluate the quality of execution services and commission costs of other broker-dealers. Thus, selecting a single broker-dealer may not result in the lowest commissions possible or best price or execution of transactions.

Other Compensation

DFSC Representatives frequently recommend that clients invest funds in money market and other mutual funds. Many of these mutual funds pay continuing 12(b)-1 fees to brokerage firms, including CCS, based upon the total amount of client funds invested in them. Other issuers of securities, insurance, mortgages and certificates of deposit also pay fees to CCS for sales of these products. Such fees are then paid by CCS to its securities Representatives, including Representatives of DFSC giving advice to clients. Thus, DFSC's Representatives' roles as providers of advice and as representatives receiving fees from investment, insurance and other products they sell may conflict as advice is provided.

Also, as indicated above, DFSC may receive a portion of the fee a client pays to another manager, or manager search program sponsor, recommended by DFSC.

Notice Regarding Treatment of Confidential Information

Privacy Notice To Our Clients. DFSC strongly believes in protecting the confidentiality and security of information we collect about you. This notice describes our privacy policy and how we protect your personal information.

Why We Collect And How We Use Information. When we evaluate your request for our services, provide investment advice to you, and process transactions for your account, you typically provide us with certain personal information necessary for proper planning and transactions. We may also use that information to offer you other planning services to meet your investment and planning objectives.

What Information We Collect. The personal information we collect may include:

- Name, address, and phone number(s), e-mail address(s);
- Social Security or taxpayer identification number(s);
- Financial assets and net worth;
- Income;
- Account balance;
- Investment activity;
- Accounts at other institutions; and
- Personal and/or family situation and objectives.

How We Protect Information. We do not sell or provide your personal information to anyone, other than what is required to establish accounts with custodians or other financial service providers (i.e., insurance co., etc.). Information collected in connection with, or in anticipation of, any claim or legal proceedings will be shared with appropriate legal and professional outside advisors.

We treat information about current and former clients and their accounts in a confidential manner. Our employees may access information and provide it to third parties only when completing transactions or providing our other services to you.

At your request, we may disclose information to or from attorneys, accountants, securities firms, and others to assist us, or them, in providing services to you. We may also share information with companies that perform services on our behalf, such as the companies that we retain for marketing or administrative services. Companies we may retain to provide support services are not allowed to use your personal information for their own purposes. We may make additional disclosures as permitted by law.

We also maintain physical, electronic, and procedural safeguards to protect information. Employees and our professional service representatives are required to comply with our established information confidentiality provisions.

Access to and Correction of Information. Generally, upon your written request, we will make available information for your review. Information collected in connection with, or in anticipation of, any claim or legal proceeding will not be made available.

If your personal information with us becomes inaccurate, or if you need to make a change to that information, please contact us at the number shown below so we can update our records.

Further Information. For additional information regarding our privacy policy, please contact Demming Financial Services Corporation at 13 New Hudson Road, Aurora, Ohio 44202, or by calling us at (330) 562-2122.