

Financial Planning, Investment Advisory and Passive Advice Services

Information and Agreements

Form ADV, Part IIA
Firm Brochure

January 2011

Introduction

Integrity and **independence** are our guiding principles at Financial Counselors of Virginia, Inc. (“FCVA”). As a fee-only independent financial counsel firm, we offer our clients the best in unbiased personal advice. You know that we are working solely for you and not for a brokerage firm or insurance company, whose interests at times may conflict with yours.

Each client should participate in the process of comprehensive financial planning prior to making any major financial decisions or undertaking complicated investment strategies and transactions. It is only through a deliberate and thoughtful analysis of your financial needs, wants, resources, liabilities and attitude toward risk that we can offer prudent, sound advice. Planning is the start of any complex undertaking, and your finances are no exception. Your financial future is determined by the investments you make along the way — investments in time and thought as well as financial investments. However, before you begin to invest your liquid assets, you should plan what your financial future should be and how best to achieve it. Comprehensive financial planning should be the first step you take in pursuing your financial goals.

You should first plan and save, but at some point you must actually invest time and money to achieve your financial goals. Managing investments in light of today's rapidly changing financial conditions and technology requires full time professional supervision supported by continuing research and constant assessment of rapidly changing circumstances. With instant access to business and financial information through the Internet, the least knowledgeable investor has more raw information at his fingertips today than did most professional investors only a few years ago. But, what do you do with the mounds of information and data available? To be able to properly analyze the information, temper that analysis with an historical perspective and apply it properly to the appropriate situations still requires the training, knowledge and experience of the professional investment counselor.

With FCVA, you are uniquely positioned to work with a team of experienced financial professionals who have your interests, and only your interests, at the forefront of everything we do. At FCVA, we have but one employer — you!

This brochure is Part II of Form ADV as required by the Securities Exchange Commission (SEC) pursuant to the Investment Advisors Act as amended October 12, 2010 and by the Commonwealth of Virginia State Corporation Commission. Form ADV Part II gives information about the investment advisor and its business for the use of clients. The information has not been approved or verified by the Securities Exchange Commission or by the Virginia State Corporation Commission. Information included in this brochure is a part of the agreements that are attached to the brochure. Please carefully read this brochure and ask any questions you may have. Registration as an Investment Advisor by itself does not imply any certain level of skill or training. Additional information about Financial Counselors of Virginia, Inc. and its principals and employees also is available by telephone at 7457 399 7499 or 757 399 8376, e-mail at info@FCVA.net, our web site at www.FCVA.net and on the SEC's website at www.adviserinfo.sec.gov.

We are pleased to welcome you as a Financial Counselors of Virginia, Inc. client!

Item 2, Material Changes to form ADV Part II _____

Changes to form ADV dated January 2010

In October 2010, the Securities Exchange Commission (SEC) and all States adopted amendments to the Investment Advisers Act that now require form ADV Part II to be distributed to clients in a narrative form rather than the previously used check box format. Financial Counselors of Virginia, Inc. adopted the narrative form in 2003, well ahead of such requirements. We have long believed that the more a client not only knows but also understands about how we work, the more successful our long-term relationship will be. We have revised our brochure to conform to the order of presentation and formatting required by the Securities Exchange Commission (SEC) and the Virginia State Corporation Commission (SCC).

In addition to format changes, the SEC and SCC have now imposed certain restrictions on Advisors that limit our ability to provide some of the services you may have come to expect.

Beyond mere formatting changes, we have added the following information not contained in previous forms ADV:

On page 4, we added information about how we manage portfolios and the size of our business. Our fee structure has not changed.

Page 5 includes information about our supervised employee, Linda L. Torres.

Page 9 describes that we may offer services on an hourly or project basis.

On page 9, we disclose our disciplinary reports and our conflicts of interest.

On page 10, we discuss "soft money" and other enticements for us to use a specific broker or custodian. We notify you that you should receive statements from any custodian at least quarterly.

On page 11, we discuss custody of client's assets and voting client securities and that we cannot accept payments for investment purposes from clients. Note that all fees except those for Retainer Clients are billed in arrears.

Page 11 discusses our use of Wrap Accounts.

Page 16 is a new Time or Project Agreement.

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Item 4, Advisory Business

FCVA has been providing financial planning and investment advice and supervisory services to its clients since 1985. FCVA offers on-going investment advisory and portfolio management services to achieve results that are carefully matched to the client's personal overall financial requirements after ascertaining his or her ability and willingness to bear price volatility (risk). FCVA is an independent Registered Investment Advisor (Registration as an Investment Advisor by itself does not imply any certain level of skill or training. FCVA's employee's training and experience can be found beginning on page 8.) and has no affiliation with any company that manufactures and sells financial products. Our primary business is comprehensive financial planning and investment management for a fee. We direct investment transactions to brokerages who charge reasonable fees to conduct our clients' business. We do not earn or collect commissions from investment purchases or sales transacted for our clients nor do we charge performance-based fees.

FCVA manages portfolios primarily according to a standard or policy portfolio model as agreed to by FCVA and the client. While the client may restrict certain types of investments to be excluded from a specific portfolio such as "sin stocks" for example, we do not encourage too many constraints on our ability to seek the best fits for the portfolio. As a basic model, FCVA uses a three tier portfolio approach.

- The first tier, "Market Exposure," contains investments that closely mimic indexes that comprise the various traditional financial markets. We construct a balanced and diversified traditional portfolio that follows the different financial markets. With the client's permission, we may employ dynamic allocation strategies to Market Exposure assets in an attempt to avoid catastrophic losses.
- The next tier is "Alternative Investments." The vehicles and strategies so named by us as "Alternative" are added to the Market Exposure to attempt to moderate price swings or volatility in an attempt to increase the risk-adjusted return primarily by avoiding great and unexpected losses. Of course, there can be no guarantee that your portfolio will not lose money at some point in time.
- Third, we include "Opportunistic Investments" that may offer to those investors wishing it, the opportunity to seek additional reward by taking additional risk. You can find more detail on our website at www.FCVA.net.

As of 12/31 2010, FCVA managed approximately \$25,545,773 in client assets and approximately \$13,800,500 of those assets are managed on a fully discretionary basis and \$11,745,273 on a non-discretionary basis.

The principals and owners of Financial Counselors of Virginia, Inc. are Michael B. Broadhurst and Louis H. Hibbitts, Jr.

Michael B. Broadhurst, CFP®*

Born: December 18, 1948

Education:

1990 - 1993: College for Financial Planning, Denver, CO

1974 - 1977: Electrical engineering and economics, Old Dominion University, Norfolk, VA

1966 - 1970: Undergraduate studies in secondary education concentrating in instrumental music, Old Dominion College, Norfolk, VA

Experience:

2002 - Senior investment officer and principal, Financial Counselors of Virginia, Inc., Portsmouth, Virginia

1986 - 2002: Financial Advisor, IDS/American Express Financial Advisors Inc., Portsmouth/Hampton/Virginia Beach, VA

* The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the "CFP® marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery

of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

- ④ Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- ④ Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- ④ Ethics – Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.
- ④ Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:
- ④ Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- ④ Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Louis H. Hibbitts, Jr.

Born: June 30, 1931

Education:

1974-1975: graduate studies in economics, Washington University, St. Louis, Missouri
1973-1974: undergraduate and graduate studies in mathematics, statistics and economics, University of Louisville, Louisville, Kentucky
1969-1971: study and research in portfolio management, Vanderbilt University, Nashville, Tennessee
1956-1957: graduate studies in English and philosophy, Vanderbilt University, Nashville, Tennessee
1949-1953: undergraduate studies and BA degree with honors in English, Virginia Military Institute, Lexington, Virginia

Experience:

1985 - senior investment officer and principal, Financial Counselors of Virginia, Inc., Portsmouth, VA
1983-1984: analyst and consultant for Ballard Properties and Atlantic Financial Corp., Norfolk, Virginia
1980-1983: investment analyst and principal, Real Estate Investors' Group, St. Louis, Missouri
1975-1980: adjunct faculty, School of Business, Southern Illinois University at Edwardsville, Edwardsville, IL
1974 : graduate research and teaching assistant, School of Business, University of Louisville, Louisville, Kentucky
1973 investment manager, Capital Holding Corp., Louisville, Kentucky
1972-1973: financial analyst and registered representative, Robinson-Humphrey Corp., Inc., Atlanta, Georgia
1969-1972: portfolio manager and principal, John C. Neff & Associates, Inc., Nashville, Tennessee
1957-1969: security analyst to Second Vice President and Manager of Securities Division, Investment Department, Life & Casualty Insurance Company of Tennessee, Nashville, Tennessee

Linda L. Torres is registered as an investment advisor agent of FCVA.

Linda was born 06/07/1958. She worked for and with advisors at IDS/American Express Financial Advisors from 1991 until 2003 when she joined FCVA. While at IDS/American Express Financial Advisors, Linda was a registered representative holding a series 7 general securities registration.

Both Michael and Louis supervise Linda's work and interaction with clients. Linda does not provide investment advice to clients.

Linda currently splits her workweek between FCVA and the Southeast Virginia Community Foundation where she is the Financial Secretary.

Michael, Louis or Linda have never had a complaint filed against them and none have any disciplinary reports.

Privacy Policy

Financial Counselors of Virginia, Inc. is a Fee-Only Virginia Registered Investment Advisor and financial planning firm. We are committed to safeguarding the confidential information of our clients. We hold all personal information provided to our firm in the strictest confidence. This information includes all personal information that we collect from the client or receive from other firms in connection with any of the financial services provided by our firm. Our offices and computers are secure. We do not disclose information to nonaffiliated third parties except as may be required by law. We do not provide any personally identifiable information to mailing list vendors or solicitors for any purpose. We will maintain client personal information for as long as that person is a client and for as long thereafter as is required by law. After that period of time, the information will be destroyed.

We post personally identifiable information including applications, statements and other legal and financial documents to each client's individual secure web site. Each client web site, known as the *Client Virtual Office*, and all such information, are encrypted using 256-bit encryption and Trusted Root servers. Any client may opt out of this service.

All advice and other information furnished by either party to the other shall be treated as *confidential*, and shall not be disclosed to third parties except as required by law or with the express written consent of the other party.

Conditions for Managing Accounts

Under some circumstances, FCVA may charge a minimum annual investment advisory fee of one thousand dollars (\$1,000.00). Subsequently, Advisory clients having manageable assets of less than one-hundred-thousand dollars (\$100,000.00) may, in effect, pay a fee greater than one percent (1.00%) of managed assets. The client would be notified well in advance of imposition of any such minimum fee.

Similarly, there may be circumstances where the fee to FCVA generated by the Assets Under Management (AUM) model described on page 3 of this document in the section titled *Advisory Services and Fees* would be insufficient to compensate FCVA for the work required for a certain client. In such case, an additional fee may be imposed on the account(s) in question. The client will be informed of and will agree to any such additional fee prior to its imposition.

Communication

Communication between FCVA and the client may be accomplished by U.S. Mail, recognized delivery/courier services, by telephone, by facsimile, by e-mail, or by posting messages in the specific Private Virtual Office.

Instructions with respect to securities transactions may be given orally either in person or by telephone and, if deemed necessary, may be confirmed in writing as soon as practicable. The Advisor can rely and act upon such verbal instructions without subsequent written confirmation. Facsimile and/or e-mail instructions for securities transactions are not acceptable.

The mailing address for FCVA is:

355 Crawford Street, Suite 802
Portsmouth, VA 23704-2825

The telephone numbers are 757 399 7499 and 757 399 8376

The FAX number is 757 399 8698

The email addresses are:

info@FCVA.net – for general information,
Michael@FCVA.net – Michael B. Broadhurst, CFP
LouisHib@FCVA.net – Louis H. Hibbitts, Jr.
Linda@FCVA.net – Linda L. Torres

The Private Virtual Office is offered for each client as an encrypted *sub site* of our general web site www.FCVA.net and is accessible only by entering unique client numbers, user names and passwords. An example of the Private Virtual Office may be found on our web site: www.FCVA.net/pages/clients.htm

Reports to Client

Advisor will send Client an inventory of the investments of the account as soon as reasonably possible after the end of each *quarterly* period. Advisor will arrange to have copies of confirmations of executed transactions sent promptly to the custodian of the account. The Advisor will use all reasonable means to ensure the accuracy of the information furnished to the Client but the Advisor does not assume *responsibility* for the accuracy of information that it or any other party furnishes to the Client.

Non-Exclusive Contract

Financial Counselors of Virginia, Inc. acts as advisor to other clients and may give advice and take action which, with respect to any of those other clients, may differ from the advice given or the timing or nature of the action taken, with respect to the Account. Advisor shall have no obligation to purchase or sell for the account any security that Advisor, its principals, affiliates or employees may purchase or sell for themselves or for any other clients.

Liability of Advisor

Except for negligence or malfeasance, or violation of *applicable law*, neither Advisor nor any of its officers, directors or employees shall be liable hereunder for any action taken or omitted to be taken or for any errors of judgment in managing the account. State and federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing agreed to herein shall in any way constitute a waiver or limitation of any rights which the undersigned may have under any state or federal securities laws.

If any loss is suffered due to the acts or omissions of a custodian, broker, dealer, investment company, general partner, investment sponsor or underwriter to which Advisor has given investment instructions pursuant to the authority granted herein, the undersigned will look to the custodian, broker, dealer, investment company, general partner, investment sponsor or underwriter, and not to the Advisor, to make good such loss; unless it is alleged that Advisor was guilty of negligence or malfeasance, or violation of applicable laws in the selection of such person or persons.

Agreement Not Assignable

No assignment, as that term is defined in the Investment Advisers Act of 1940, of this agreement may be made by Advisor without written consent of Client.

Termination

Either party may terminate this agreement *at any time* upon written notice. Fees will be prorated to the date of termination, and the Client shall be responsible for the payment of only those fees covering services already rendered by the Advisor at the time of termination.

Representations of the Parties

Advisor represents that it is registered as an investment adviser under the Investment Advisers Act of 1940 with the State Corporation Commission of the Commonwealth of Virginia, and that such registration is currently effective.

Client represents and warrants that the appointment of Advisor and the authority granted to it under this Agreement are authorized by law, corporate action or other appropriate and legally effective action as may be required; that the Client is the beneficial owner of all of the assets in the Account, and that there are no restrictions or limitations on the investment, reinvestment, location, management or any other activity contemplated by this Agreement other than as specifically provided for herein. Client agrees to indemnify Advisor and hold it harmless against any and all losses, costs, claims and liabilities which Advisor may suffer or incur arising out of a breach of any of the representations or warranties set out in this agreement.

Item 5, Fees _____

Investment Advisory Fees

FCVA provides portfolio management and investment advisory services for a fee based on the value of the assets managed by the advisor, as agreed to by the client. Fees are established separately for each client. The typical first-year fee is calculated monthly or quarterly at an annual rate of one and one quarter percent (1.25%) of the fair market value of all manageable assets up to and including two-hundred-fifty-thousand dollars (\$250,000), three quarters of one percent (0.75%) of the fair market value of all manageable assets from two-hundred-fifty-thousand-one dollars (\$250,001) up to and including one-million-five-hundred-thousand dollars (\$1,500,000), and one-tenth of one percent (0.1%) of all such assets in excess of that amount for the first 12-month period.

Beginning with the 13th month of service, the fee shall be calculated monthly or quarterly at an annual rate of one percent (1.00%) of the fair market value of all manageable assets up to and including two-hundred-fifty-thousand dollars (\$250,000), three quarters of one percent (0.75%) of the fair market value of all manageable assets from two-hundred-fifty-thousand-one dollars (\$250,001) up to and including one-million-five-hundred-thousand dollars (\$1,500,000), and one-tenth of one percent (0.1%) of all such assets in excess of that amount. For sufficiently large portfolios, or in unusual circumstances, an individually calculated fee schedule may be negotiated that may be higher or lower than the fees just described.

The applicable monthly fee for services rendered by the Advisor over the preceding month will be calculated as of the last business day of the month. If agreed to by the client, the applicable monthly fee will be electronically deducted from the appropriate cash or money market accounts held at the brokerage firm/custodian TD Ameritrade

on or about the first of the following month. Written invoices may be submitted for quarterly fee arrangements on or about the 15th of the month following the last month of the billing quarter. FCVA expects a client to submit payment for the quarterly invoice within 30 days of its receipt. Quarterly fees are based on the value of assets under management as of the last business day of the last month of the billing quarter. While security prices should be accurate, some transactions that occur in accounts held in brokerage accounts other than TD Ameritrade may not be accurately reflected in the current invoice.

In addition to management fees that you pay to FCVA, the providers of the investments we use may charge you management, administrative and other fees within the investment product. Since we do not earn any portion of the fees typically charged by mutual funds, for example, we try to use those funds or other vehicles that perform best at the lowest cost to the client. We strongly suggest that the client read the prospectus that is a part of all investment acquisitions. The broker or custodian that actually effects investment transactions for the client may charge a transaction fee. Again, since we do not earn any commissions from such brokers or custodians, we direct the client's money to those that charge reasonable fees. The client may choose to use any broker or custodian they wish. However, we do receive daily client data from our primary custodian that is not available to us from other custodians. The lack of contemporaneous data and previously arranged trading authority may hinder our ability to manage a portfolio held at a different broker/custodian as efficiently as those held at our primary custodian. See Item 12, Choice of Custodian or Brokerage on page 10 for further discussion about our choices of brokers and custodians.

In addition to investment advice and portfolio management, FCVA offers comprehensive financial planning, counseling and management services consisting of:

- a.) an initial review and analysis of the client's:
 - current financial circumstances
 - income and expenses; assets and liabilities
 - financial goals
 - ability and willingness to bear risk
 - existing insurance and appropriate insurance coverage
 - income tax situation and planning
 - plans and provisions for housing, education and other major expenditures
 - plans and provisions for retirement
 - plans and provisions for estate planning
- b.) continuing advice and counsel to help the client achieve his or her financial objectives.

Retainer Services and Fees

In order to offer the services of FCVA to those not otherwise eligible for or in a position to benefit from FCVA's regular client structure, FCVA offers a retainer service for a fixed annual fee of \$500.00 payable in advance. The services provided for this fee are more restrictive than those offered to full-service clients.

FCVA's web site, www.FCVA.net, includes both public and private portions. The public portion of the web site offers generic information about and links to other Internet sites that discuss various financial issues. The private portion of the web site, available only to clients, offers, but is not limited to, the philosophy of FCVA's investment approach, information about specific investments, guidance in specific financial planning areas, electronic financial document storage, and the ability to permanently record and display written dialogue between the client and FCVA. A person who chooses to retain FCVA under this Service (henceforth known as the Retainer Client) will have 24-hour access to the public and private portions of www.FCVA.net and will have their own *Private Virtual Office* through which they will access the client portions of the web site. The Retainer Client will have the opportunity to post questions to FCVA through their *Private Virtual Office* at any time and expect a prompt answer from FCVA. The Retainer Client will have the opportunity to schedule one (1) 90-minute personal consultation with the principals of FCVA each calendar year. The Retainer Client will have access to FCVA by telephone but all written communication will be restricted to the *Private Virtual Office* discussion area. The Service provided by FCVA to the Retainer Client is understood to be information only and not advice. The Retainer Client will not receive specific investment advice. FCVA will not effect any transactions on behalf of the Retainer Client or make any specific recommendations to the Retainer Client. The Retainer Client will not receive specific financial planning advice. The Retainer Client should not expect FCVA to initiate any contact or to schedule any consultations. The Retainer Client has access to FCVA through their *Private Virtual Office* web site and through the once-per-year in-person consultation. These are the most restrictive conditions applied to this service. FCVA, at its sole discretion, may opt to grant additional services to specific clients as it sees fit.

The \$500.00 retainer fee is due in advance at the time this Agreement is signed. The 12-month life of the retainer will begin on the date the new *Private Virtual Office* is made "live" usually within 3 to 5 days of signing the

Agreement (the "Begin" date). Subsequent retainer years begin on the anniversary of that "Begin" date just mentioned. If, within the first 30 days after the "Begin" date, the **Retainer Client** decides to end the Service Agreement, all monies will be refunded. No refunds are offered after 30 days from the "Begin" date or in subsequent retainer years.

Time or Project Fees

FCVA may provide financial planning, investment advice or other services through occasional consultation, that is, not on a continuous basis, to clients or others who choose such services. Compensation for periodic advice is based upon time for services calculated at hourly rates ranging from \$75.00 to \$200.00. Alternatively, we can negotiate a project or fixed-fee arrangement. The specific rate and range of charges will be agreed to in advance.

However determined, all fees except those collected for Retainer Clients always are billed in arrears.

Either party may terminate the agreement between FCVA and client for the provision of services *at any time* upon written notice. Fees will be prorated to the date of termination, and the client shall be responsible for the payment of only those fees covering services already rendered by the advisor at the time of termination.

Item 6, Performance-Based Fees _____

Financial Counselors of Virginia, Inc. does not charge or collect performance-based fees.

Item 7, Types of Clients _____

FCVA offers its services to individuals, whether single, married, or in partner status with shared goals, to trusts, estates, and charitable organizations, and to small business owners and employees. While FCVA does not discriminate based on age, sex, race, persuasion or religion, we reserve the right to refuse service to anyone.

We believe that to manage an investment portfolio properly, there must be sufficient assets to manage. To attempt to manage a very small portfolio using our previously described methods, may impose an undue transaction-charge burden on that small portfolio or, absent the numerous and varied styles of investments normally found in our portfolios, the small portfolio may not be able to take advantage of the expertise we offer. We do occasionally accept as clients those people with smaller portfolios, but our normal minimum requirement is to have at least \$250,000 of investable and manageable assets.

Item 8, Advice, Analysis, Information and Implementation _____

Investing in financial securities bears risk. All portfolios will at some time loose value. You must be prepared financially and mentally to loose value some times. It will happen. Our job is to attempt to make those loses less often and less drastic while trending towards a growing value portfolio.

FCVA's approach to security analysis and portfolio management is carried out in light of the contemporary understanding of capital markets, finance and modern portfolio theory. Purchase and sale decisions are made primarily on the basis of a fundamental analysis of specific business and general economic circumstances, although market conditions and their implications are always taken into consideration.

FCVA draws investment information from a diverse set of sources including, but not limited to:

- ④ Federal, state and local government publications
- ④ Brokerage house research
- ④ Computer data bases
- ④ Internet resources
- ④ Direct inquiry and investigation

FCVA's investment purpose is to achieve the maximum attainable after-tax returns for its clients, always consistent with their stated risk tolerance. The timing of investment transactions is based upon the client's particular holding period, or planning horizon, tax and other relevant personal and family financial circumstances. We may use long-term and short-term investment strategies and tactics as well as short term trading and short sale techniques. Some clients may employ margin lending as a part of the overall investment strategy. In addition, considerations peculiar to the actual investments involved and the markets in which they are traded, as well as general business and economic conditions are taken into account. Options, short positions and other carefully chosen hedge strategies may be employed to improve the risk-to-return potential of the client's portfolio, given that the purpose for such procedures is *both understood and agreed to* by the client affected.

Item 9, Disciplinary Information _____

FCVA is pleased to report that no disciplinary reports have ever been filed on the corporation, its principals, or any one else who works at FCVA.

Item 10, Other Financial Industry Activities and Affiliations _____

The intent of FCVA is to offer unbiased investment advice for a fee and to minimize conflicts arising from affiliations with financial product companies. No one at FCVA is affiliated with any financial institution or broker or broker/dealer or custodian or banking or thrift institution or law firm or accounting firm or futures or commodity trading firm or insurance company or insurance agency or real estate broker or dealer or limited partnership that pays us to recommend their products or services. We do not accept commissions from anyone. We work solely for our clients. We perceive there are no financial conflicts of interest between our own financial gain and our fiduciary responsibility to our clients; always to do what is in the client's best interest.

As a convenience to those clients who seek or need life, disability or long-term care insurance, Mr. Broadhurst is a licensed life and health insurance agent, and may be eligible to earn a commission from the sales of insurance products. If such commission is earned, that fact and the amount will be disclosed prior to asking the client to enter into such transaction. We do not seek to earn commissions from the sales of insurance products. Consequently, when we do recommend insurance products, we seek those insurance companies that provide excellent products but pay no commissions to agents. In the situations where we refer clients to other insurance agents for specific products, we do not accept commission splits.

As a separate but closely related business, FCVA offers income tax preparation services to clients. Services are billed on a charge-per-form basis after preparation is completed. Payment may be rendered either by check or by electronic deduction from an appropriate cash or money market account held at TD Ameritrade.

Approximately 92% of FCVA's income is derived from investment advisory fees. The remainder comes from income tax preparation.

Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading _____

FCVA and its employees subscribe to the fundamental concept of a fiduciary; that clients' interests are primary. All officers and employees of FCVA must report to the senior investment officer any personal transactions involving securities recommended to clients. Employees and officers must conduct their personal investment transactions in such a manner that client transactions *always take priority* over personal transactions. Further, personal transactions must never adversely affect the interests of clients. A client must be given sufficient opportunity to act on investment recommendations before any officer or employee of the applicant acts on his own behalf if such actions would have any material effect on the actions taken by the client. No ascertainable trading conflicts of interest exist between FCVA and its clients.

Item 12, Choice of Custodian or Brokerage _____

FCVA is an independent Registered Investment Advisor and has no affiliation with any company that manufactures and/or sells financial products. Our primary business is comprehensive financial planning and investment management for a fee.

We direct investment transactions to brokerages who charge as little as possible to conduct our clients' business. We do not earn or collect commissions from investment purchases or sales transacted for our clients. Brokers will be selected to effect securities transactions and/or to hold client's cash and securities based on a careful and continuing assessment of their ability to provide competitive transaction charges, commission charges, comprehensive brokerage, research, accounting, safekeeping and investment banking services. At times, commissions and other transaction-based charges may be paid which exceed those available elsewhere in order to secure products, research, underwriting, record keeping and related services from selected brokers. Such services and/or products are usually proprietary or sufficiently unique as to be otherwise difficult, more costly or impossible to obtain. Research services are generally used to the benefit of all clients. Ordinarily, commissions for services peculiar to any one client, or group of clients would come solely from transactions involving that client's, or clients', account or accounts. However, at times commissions charged a client, or group of clients, may reflect research or other services from which that particular client, or group of clients, did not directly benefit. Every effort is made by FCVA to utilize the full range of resources provided by the brokers with whom it handles transactions for its clients primarily for the benefit of those clients. Whatever custodian actually holds your assets, you are entitled to receive a statement of your account balances and transactions at least quarterly. If ever you do not receive statements from a custodian at least quarterly, please notify FCVA as soon as you realize you have not received the timely statement.

FCVA has chosen TD Ameritrade as the primary and preferred custodian for our clients' assets. TD Ameritrade is the surviving company from the merger of TD Waterhouse and Ameritrade brokerage companies. TD Ameritrade is a large enough company to be able to handle client assets efficiently and effect trades at a steep discount compared to *full-service* brokerages. FCVA receives no "soft money" or other considerations from TD Ameritrade that would influence our decision to use them over any other brokerage.

While TD Ameritrade is FCVA's preferred custodian, no client is required to have his or her assets held by TD Ameritrade. FCVA has a paid arrangement with our portfolio reporting and management software that provides us with data from TD Ameritrade every evening. We have previously authorized trading authority for each client who has an account with TD Ameritrade. If a client chooses to custody his or her assets with a broker or custodian other than TD Ameritrade, our ability to make efficient trades on behalf of that client may be compromised. It is not impossible to manage assets at other brokerages, just rather cumbersome.

Item 13, Review Process _____

Clients' accounts are under continuing review by a senior investment officer and separate reviews are scheduled as follows:

- upon opening a new account, by both investment officers
- quarterly, by the investment officer most directly associated with the account
- annually, by both investment officers
- upon revision of a client's financial plan, by both investment officers
- as requested by a client or by either investment officer

Minimally, each client shall receive annual investment reviews providing at least current market values for all positions held. Reviews may be posted to the client's Private Virtual Office. More frequent reviews can be provided upon request.

Item 14, Client Referrals _____

FCVA does not have any arrangements where we pay anyone to refer potential clients to us. Nor do we collect any prizes or sales awards from any person or any company.

Item 15, Custody of Client Assets _____

Because FCVA withdraws management and some other fees directly from our clients' accounts, the SEC deems FCVA to have "limited custody" of our clients' assets. To prevent FCVA from being designated as having the potential to have more extensive custody of those assets, we are required to make certain adjustments to some procedures that may have an adverse impact on some services you may have received in the past. Checks for investments will remain payable only to the custodian and the client must mail checks for investments directly to the custodian. FCVA may not act as an intermediary in transmitting a payment to a custodian. FCVA will not accept any cash, check, money order or any other form of payment intended to be invested from any client. The client should never write a check to FCVA for any reason other than to pay a management, financial planning or tax preparation fee. A client should never tender cash for any transaction with FCVA.

Item 16, Investment Discretion _____

New clients are advised to initiate investment management services on a *non-discretionary* basis. Under a non-discretionary arrangement, the applicant's investment management services take the form of recommendations only. The advisor can take no actions without the client's explicit prior approval. That approval may be given in person, on the telephone, in writing via U.S. Mail or by posting such in the Private Virtual Office. Regular e-mails cannot be accepted as permission.

A client may elect to have services provided on a limited or fully discretionary basis. If the client chooses discretionary investment management, he delegates to FCVA the authority to initiate transactions on his behalf either completely or conditioned upon limitations set by the client. Once authorization for discretion, either limited or full, is granted by the client, no subsequent approval by the client is required for FCVA to make transactions on behalf of the client.

Item 17, Voting Client Securities _____

We prefer that clients vote and return proxies for their own securities. If a client requests us to vote their securities, we will require a written instruction either for each security or as a policy statement.

Item 18, Financial Information _____

Except for the Retainer Client described on page 5, no fees due FCVA shall be billed or paid in advance. The client pays for services rendered in arrears.

Once discretionary trading authority is granted to FCVA, we must be able to effect it. In case the primary advisor is unavailable by virtue of temporary absence or other distraction, the same discretionary authority also is granted to the remaining principal of the firm.

Item 19, Requirements for State-Registered Advisors _____

- A. Principals and Managers: Please see Item 4 on pages 4 and 5 of this brochure.
- B. Other Businesses: Please see Item 10 on page 10 of this brochure.
- C. Performance based fees: Please see Item 6 on page 9 of this brochure.
- D. Disclosure of fraud, theft, bribery, etc.: Please see Item 4 on page 6 and Item 9 on page 9 of this brochure.
- E. Relationships with securities issuers: Please see Item 10 on page 10 of this brochure.

Wrap Accounts: FCVA does not sponsor, maintain or use wrap accounts.

Service Agreement _____

INVESTMENT ADVISORY AGREEMENT

The undersigned ("Client") employs Financial Counselors of Virginia, Inc. ("Advisor") as investment advisor for the Account and Advisor agrees to serve in that capacity on the following terms and conditions:

Authority to Act

Check and initial the applicable authorization that specifies the extent to which the Advisor is authorized to act on behalf of the Client.

Discretionary _____ (initials)

Non- Discretionary _____ (initials)

Fee frequency preference: **Monthly (automatic deduction)** **Quarterly (direct invoice)**

For sufficiently large portfolios, or in unusual circumstances, an individually calculated fee schedule may be negotiated. In those unusual cases where a negotiated fee arrangement exists, the fee will be as follows:

That maximum fee will be: \$ _____ per _____ or _____ % per year.

Disclosure Statement Received by Client

Client acknowledges receipt and explanation of Advisor's Brochure that contains Securities and Exchange Commission Form ADV, Part II prior to or at the time of execution of this Agreement, as required by Rule 204-3 under the Investment Advisers Act of 1940 as amended October 12, 2010.

If the above documents have not been so received, Client shall have the right to terminate this agreement without charge or penalty within seven (7) business days after date of execution of this Agreement; provided, however, that any investment action taken by Advisor with respect to the Client's Account prior to the effective date of such termination shall be solely at the Client's risk.

Governing Law and Extent of the Agreement

This Agreement, together with any documents attached hereto, constitutes *the entire agreement between the Client and Advisor*, and can be amended only by a written agreement signed by both parties. The Agreement shall be governed by the law of the Commonwealth of Virginia.

By signing below, I acknowledge that I have received and read the publication entitled **Investment Advisory Information and Service Agreement** that contains information from Part II of Form ADV as well as this service agreement. I hereby consent to the terms and conditions with full knowledge and understanding of the information contained herein.

Dated this _____ day of _____, 20 _____

Client Copy

Client's Signature: _____

Client's Printed Name: _____

Second Client's Signature: _____

Second Client's Printed Name: _____

Signature: _____

Financial Counselors of Virginia, Inc.

Service Agreement _____

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FCVA Copy

Client's Signature: _____

Client's Printed Name: _____

Second Client's Signature: _____

Second Client's Printed Name: _____

Signature: _____

Financial Counselors of Virginia, Inc.

Service Agreement _____

RETAINER SERVICE AGREEMENT

In order to offer the services of FCVA to those not otherwise eligible for or in a position to benefit from FCVA's regular client structure, FCVA offers a retainer service for a fixed annual fee of \$500.00 payable in advance. The services provided for this fee are more restrictive than those offered to full-service clients.

FCVA's web site, www.FCVA.net, includes both public and private portions. The public portion of the web site offers generic information about and links to other Internet sites that discuss various financial issues. The private portion of the web site, available only to clients, offers, but is not limited to, the philosophy of FCVA's investment approach, information about specific investments, guidance in specific financial planning areas, electronic financial document storage, and the ability to permanently record and display written dialogue between the client and FCVA. A person who chooses to retain FCVA under this Service (henceforth known as the Retainer Client) will have 24-hour access to the public portion of www.FCVA.net and will have their own *Private Virtual Office* through which they will access the client portions of the web site. The Retainer Client will have access to FCVA's web-based simulation software. FCVA will offer limited assistance setting up the simulation scenarios. The Retainer Client will have the opportunity to post questions to FCVA through their *Private Virtual Office* at any time and expect a prompt answer from FCVA. The Retainer Client will have the opportunity to schedule one (1) 90-minute personal consultation with the principals of FCVA each calendar year. The Retainer Client will have limited access to FCVA by telephone but all written communication will be restricted to the *Private Virtual Office* discussion area. The Service provided by FCVA to the Retainer Client is understood to be information only and not advice. The Retainer Client will not receive specific investment advice. FCVA will not effect any transactions on behalf of the Retainer Client or make any specific recommendations to the Retainer Client. The Retainer Client will not receive specific financial planning advice. The Retainer Client should not expect FCVA to initiate any contact or to schedule any consultations. The Retainer Client has access to FCVA through their *Private Virtual Office* web site and through the once-per-year in-person consultation. These are the most restrictive conditions applied to this service. FCVA, at its sole discretion, may opt to grant additional services to specific clients as it sees fit.

The \$500.00 retainer fee is due in advance at the time this Agreement is signed. The 12-month life of the retainer will begin on the date the new *Private Virtual Office* is made "live" usually within 3 to 5 days of signing the Agreement (the "Begin" date). Subsequent retainer years begin on the anniversary of that "Begin" date just mentioned. If, within the first 30 days after the "Begin" date, the Retainer Client decides to end the Service Agreement, all monies will be refunded. No refunds are offered after 30 days from the "Begin" date or in subsequent retainer years.

Dated this _____ day of _____, 20 _____

Client Copy

Client's Signature: _____

Client's Printed Name: _____

Second Client's Signature: _____

Second Client's Printed Name: _____

Signature: _____

Financial Counselors of Virginia, Inc.

Service Agreement _____

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Dated this _____ day of _____, 20 _____

FCVA Copy

Client's Signature: _____

Client's Printed Name: _____

Second Client's Signature: _____

Second Client's Printed Name: _____

Signature: _____

Financial Counselors of Virginia, Inc.

Service Agreement _____

TIME OR PROJECT SERVICE AGREEMENT

To allow both the client and FCVA the flexibility to provide services needed, we provide an open agreement based on either an hourly charge or a negotiated project charge.

As stated earlier, FCVA charges between \$75.00 and \$200.00 per hour depending on the type of service being provided and who provides the service. Below is a brief outline of the type of service the client desires:

The person(s) providing the service:

The rate charged by each person: _____

The **hours** expected to be charged for: _____

If the actual hours exceed this estimated number of hours by more than 15%, the client will be notified and asked to initial this document here: _____ Date: _____

If the service provided will be on a **project or flat fee basis**, the fee charged will be: _____

All service should be expected to be performed in a timely manner. If the service has a specific time or date when it is needed, that date and time is: _____

Dated this _____ day of _____, 20 _____

Client Copy

Client's Signature: _____

Client's Printed Name: _____

Second Client's Signature: _____

Second Client's Printed Name: _____

Signature: _____

Financial Counselors of Virginia, Inc.

Service Agreement _____

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FCVA Copy

Client's Signature: _____

Client's Printed Name: _____

Second Client's Signature: _____

Second Client's Printed Name: _____

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Financial Counselors of Virginia, Inc.