



## **Nautilus Financial Group, Inc.**

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**February 17, 2020**

### **Form ADV Part 2A Brochure**

Nautilus Financial Group, Inc. is a state-registered investment adviser. An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Nautilus Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at (757) 340-7006. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Nautilus Financial Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

The purpose of this page is to inform you of any material changes since the previous version of this brochure. We review and update our brochure at least annually to make sure that it remains current.

On February 17, 2020, we submitted our annual updating amendment filing for fiscal year 2019 and updated Item 4 of our Form ADV Part 2A Brochure to disclose discretionary assets under management of approximately \$43,534,742. We had no assets under management on a non-discretionary basis.

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#### **Advisory Business - Item 4**

Nautilus Financial Group, Inc. (hereinafter "NFG") is a registered investment advisor based in Virginia Beach, Virginia. We are a Sub-Chapter S Corporation under the laws of the Commonwealth of Virginia. We have been providing investment advisory services since 2011. Karrie Ann Thomas is the President and principal owner of NFG.

Currently, we offer the following investment advisory services, personalized to each individual Client:

- **Advisory Consulting Services**
- **Portfolio Management Services-Wrap Program**

The following paragraphs describe what we do and what we charge. Each investment advisory service is listed below and describes how we tailor our advisory services to your individual needs. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our firm who is an officer, employee, and all individuals providing investment advice on behalf of our firm. Such persons are properly registered as investment adviser representatives in all required jurisdictions.

#### **Advisory Consulting Services**

NFG provides general consulting services that focus on the specific needs and concerns of the Client. Consulting services may include giving advice on investment and investment related matters. These services include the identification of financial goals and objectives, collection and assessment of all relevant data, identification of financial problems and formulation of solutions, and the preparation of written or verbal plans. The services we provide will typically focus on one or more of the following areas:

- **Retirement Planning:**  
Retirement Planning is a process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program and managing assets. Future cash flows are estimated to determine if the retirement income goal will be achieved.
- **Tax Planning:**  
The goal of tax planning is to arrange the Client's financial affairs so as to minimize taxes. There are three basic ways to reduce your taxes, and each basic method might have several variations. Clients may reduce their income, increase their deductions, and take advantage of tax credits.
- **Investment Planning:**  
The goal of investment planning is to determine the investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. The process realizes strengths, weaknesses, opportunities and risks in the

choice of debt vs. equity, domestic vs. international, growth vs. safety, and many other tradeoffs encountered in the attempt to maximize return at a given risk.

Consulting and planning advice is based on the Client's financial situation and the financial information provided to our firm. If the Client's financial situation, goals, objectives, or needs change, the Client must notify us promptly.

Clients may choose to accept or reject our recommendations. Clients, who decide to proceed with our recommendations, may do so either through our firm or by using the advisory/brokerage firm of their choice.

#### **Portfolio Management Services-Wrap Program**

NFG is the portfolio manager and sponsor of a wrap fee program. A wrap fee program combines portfolio management, advisory services, and trade execution for a single fee. NFG, as portfolio manager is responsible for the research, security selection, and implementation of transaction orders in the Client's account. The transactions in the Client's account will be executed by TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"). NFG receives a portion of the Wrap Fee for portfolio management services. TD Ameritrade will also receive a portion of the fee for trade execution expenses.

#### **Assets Under Management**

As of January 16, 2020, we manage discretionary assets under management of approximately \$43,534,742 and no non-discretionary assets under management.

Client shall have five (5) business days from the date of execution of the agreement to terminate our services without penalty.

#### **Fees and Compensation - Item 5**

NFG charges fees based on a percentage of assets under management and hourly fees for its advisory services.

#### **Advisory Consulting Services Fees**

Where a Client decides to engage NFG for consulting services, there will be an hourly fee of \$250. The fee is negotiable depending on the nature, complexity, and time involved in providing the Client with the requested services.

If the Client engages NFG for additional investment advisory services, NFG may offset all or a portion of its fees for those services based upon the amount paid for the consulting services.

Prior to engaging NFG to provide consulting services, the Client will generally be required to enter into a written agreement with the firm. The agreement will set forth the terms and conditions of the

engagement and describe the scope of the services to be provided and the portion of the fee that is due from the Client. Generally, NFG requires a deposit for the first hour of service with the remaining balance due upon completion of the agreed upon services. Either party may terminate the agreement by written notice to the other. In the event the Client terminates NFG's consulting services, the fee will be pro-rated through the date of termination and any remaining balance will be charged or refunded to the Client.

### **Additional Fees and Expenses**

The fees are charged as described above and are not based on a share of capital gains of the funds of an advisory Client.

All fees paid to NFG for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a Client may pay an initial or deferred sales charge. A Client could invest in a mutual fund directly, without the services of NFG. In that case, the Client would not receive the services provided by NFG which are designed, among other things, to assist the Client in determining which mutual fund or funds are most appropriate to each Client's financial condition and objectives. Accordingly, the Client should review both the fees charged by the funds and the fees charged by NFG to fully understand the total amount of fees to be paid by the Client and to thereby evaluate the advisory services being provided.

### **Performance-Based Fees and Side-By-Side Management - Item 6**

We and our Associated Persons do not accept performance based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the Client's assets.

### **Types of Clients - Item 7**

We offer investment advisory services to individuals, high net worth individuals, and charitable organizations.

NFG requires a minimum of \$50,000 to open and maintain an advisory account. At our sole discretion we may waive this requirement. This requirement can be met by combining two or more accounts owned by you or related family members.

### **Methods of Analysis, Investment Strategies and Risk of Loss - Item 8**

The following are different methods of analysis that we may use when providing you with investment advice:

- Charting – charting is a technique that attempts to forecast future market moves by studying historical data on charts.
- Fundamental Analysis – fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.
- Technical Analysis – technical analysis is a technique that relies on the assumption that current market data (such as charts of price, volume, and open interest) can help predict future market trends, at least in the short term. It assumes that market psychology influences trading and can predict when stocks will rise or fall.
- Cyclical Analysis – cyclical analysis is a technique that looks at cycles, specifically analyzing the way prices follow certain patterns and trends.

We may use one or more of the following investment strategies when advising you on investments:

- Long Term Purchases – securities held for over a year.
- Short Term Purchases – securities held for less than a year.

The investment advice provided along with the strategies suggested by NFG will vary depending on each Client's specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed will be appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

**Investing in securities involves risk of loss that clients should be prepared to bear.**

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for many members of the public. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments you intend to invest in.

**Loss of Value:** There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political and economic developments, and government, economic or monetary policies.

**Interest Rate Risk:** Fixed income securities and funds that invest in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

#### **Disciplinary Information - Item 9**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no history of material legal or disciplinary events by our firm or our management persons.

#### **Other Financial Industry Activities and Affiliations - Item 10**

To minimize client advisory business conflicts of interest, our firm and our related persons conduct financial industry relationships on an independent and unaffiliated basis. Karrie Ann Thomas, Chief Compliance Officer, is not involved in any other financial industry activities and does not have any other financial industry affiliations.

#### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading - Item 11**

##### **Description of Our Code of Ethics**

NFG has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes NFG's policies and procedures developed to protect Client's interests in relation to the following topics:

- The duty at all times to place the interests of Clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics;
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of Clients is confidential; and,
- The principle that independence in the investment decision-making process is paramount.



Clients, who would like to receive a copy of NFG's Code of Ethics, may contact Karrie Ann Thomas, Chief Compliance Officer ("CCO") at (757) 340-7006.

### **Personal Trading Practices**

At times NFG and/or its Advisory Representatives may take positions in the same securities as Clients, which may pose a conflict of interest with Clients. NFG and its Advisory Representatives will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to Client trades. We will not violate our fiduciary responsibilities to our Clients. Front running (trading shortly ahead of Clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure will be made to the Client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

### **Brokerage Practices - Item 12**

For NFG's portfolio management programs we recommend and request Clients to implement trades and maintain custody of assets through discount brokers. We will recommend the services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"). TD Ameritrade is a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC").

TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance, and settlement of transactions. NFG receives some benefits from TD Ameritrade through its participation in the program.

### **Research and Other Soft Dollar Benefits**

Although not considered to be paid for with "soft dollar" credits, we receive economic benefits from TD Ameritrade in the form of reports, software, and institutional trading support, as we do not have to produce or pay for such research, products, or services.

NFG participates in TD Ameritrade's institutional customer program and NFG may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between NFG's participation in the program and the investment advice it gives to its Clients, although NFG receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving NFG participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate

shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to NFG by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by NFG's related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit NFG but may not benefit its Client accounts. These products or services may assist NFG in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help NFG manage and further develop its business enterprise. The benefits received by NFG or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, NFG endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by NFG or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the NFG's choice of TD Ameritrade for custody and brokerage services.

NFG may receive succession planning, practice valuation, and equity management services from third-party vendors through NFG's participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Equity Management Program, NFG may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade.

TD Ameritrade is a discount broker-dealer independent of, and unaffiliated with, NFG and there is no employee or agency relationship between TD Ameritrade and NFG. TD Ameritrade has established the TD Ameritrade Institutional Equity Management Program as a means of assisting independent unaffiliated Advisors to grow and maintain their respective investment advisory business. TD Ameritrade does not supervise NFG and has no responsibility for NFG's management of client portfolios or NFG's other advice or services to clients.

NFG's participation in the TD Ameritrade Institutional Equity Management Program raises potential conflicts of interest. NFG may encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, NFG may have an incentive to recommend to clients that the assets under management by NFG be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. NFG's participation in the TD Ameritrade Institutional Equity Management Program does not relieve the NFG of the duty to seek best execution of trades for client accounts.

In selecting a broker dealer based on discretionary authority, NFG will endeavor to select those brokers or dealers that will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, the broker's reputation, experience, and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in other transactions.

Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. In addition, NFG may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution.

### **Brokerage for Client Referrals**

We do not receive Client referrals from broker-dealers and custodians in which we have an institutional advisory arrangement. Also, we do not receive other benefits from a broker-dealer in exchange for Client referrals.

### **Trade Aggregation**

While individual Client advice is provided to each account, Client trades may be executed as a block trade. NFG encourages its existing and new Clients to use TD Ameritrade. Only accounts in the custody of TD Ameritrade would have the opportunity to participate in aggregated securities transactions. All trades using TD Ameritrade will be aggregated and done in the name NFG. The executing broker will be informed that the trades are for the account of NFG's Clients and not for NFG itself. No advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. The aggregation should, on average, reduce slightly the costs of execution, and NFG will not aggregate a Client's order if in a particular instance NFG believes that aggregation would cause the Client's cost of execution to be increased. TD Ameritrade will be notified of the amount of each trade for each account. NFG and/or its Associated Persons may participate in block trades with Clients, and may also participate on a pro rata basis for partial fills, but only after the determination has been made that Clients will receive fair and equitable treatment.

### **Directed Brokerage**

Clients participating in our Wrap Program will be required to execute transactions with TD Ameritrade Institutional, a division of TD Ameritrade, Inc. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance, and settlement of transactions. NFG receives some benefits from TD Ameritrade through its participation in the program. Please see the "Research and Other Soft Dollar Benefits" above for more information about these additional benefits. The receipt of economic benefits by NFG or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the NFG's choice of TD Ameritrade for custody and brokerage services. NFG

has developed policies and procedures that address such conflicts and require the firm to conduct periodic best execution reviews.

Not all investment advisers require clients to direct transactions to a single broker dealer or custodian, however, due to the nature of portfolio management services offered to our clients, we reserve the right to reject a new account if the client is unwilling or unable to open an account with TD Ameritrade.

### **Review of Accounts - Item 13**

NFG monitors the individual investments within NFG's portfolio management programs on a continuous basis. Portfolio performance is reviewed, at a minimum, on a quarterly basis. NFG offers portfolio management Clients an in-person portfolio review meeting on an annual basis. Material market, economic, or political events, or changes in a Client's financial circumstances, may trigger more frequent reviews.

The account reviews are performed by Karrie A. Thomas, President and Chief Compliance Officer.

Clients will receive statements directly from their account custodian(s) on at least a quarterly basis. This statement will show total portfolio value and the securities holdings and activity in the account. NFG will also send an invoice showing the amount of the fee, the asset valuation used to calculate the fee, and how the fee was calculated.

### **Client Referrals and Other Compensation - Item 14**

We and our related persons do not compensate, either directly or indirectly, any person or entity who is not our supervised person for Client referrals.

### **Custody - Item 15**

NFG is deemed to have limited custody of Client funds solely because of the fee deduction authority granted by the Client in the investment advisory agreement to have NFG's advisory fees deducted from the Client's account via the qualified custodian for the account.

Clients will receive account statements at least quarterly from the broker-dealer or other qualified custodian. NFG will also send an invoice showing the amount of the fee, the asset valuation used to calculate the fee, and how the fee was calculated. Clients are urged to review custodial account statements for accuracy.

### **Investment Discretion - Item 16**

NFG offers Portfolio Management Services to its advisory Clients on a discretionary basis. Clients must grant the firm discretionary authority in the Client advisory agreement. Discretionary authority extends to the type and amount of securities to be bought and sold, and does not require advance Client approval.

Clients may limit the firm's discretionary authority if they wish, by, for example, setting a limit on the type of securities that can be purchased for their account. All such restrictions must be provided in writing. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

### **Voting Client Securities - Item 17**

#### **Proxy Voting**

Unless the Client designates otherwise, NFG votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. In accordance with SEC Rule 206(4)-6, NFG has established the following policies and procedures:

#### ***Voting on Mutual Fund Shares***

##### **a. Funds recommended by NFG:**

- NFG monitors the activity of funds it recommends to Clients.
- NFG will review the issues on a case-by-case basis and vote proxies when the proxies are delivered to NFG or when a Client requests information on how to vote. The primary purpose and fiduciary responsibility of NFG in voting proxies is to maximize shareholder value.
- NFG does not vote proxies that are based solely on social issues.

##### **b. Funds in Client portfolios that were not recommended by NFG:**

- NFG due diligence on funds not recommended by us is limited to performance review relative to peers.
- In the case where we recommend other funds in a fund family, but not the specific fund requiring voting, we will make recommendations based on our knowledge of general issues and procedural changes common to funds we do recommend.

#### ***Voting on Equity Securities***

- a. For individual equities we have directly recommended, we review the issues on a case-by-case basis to determine how to vote, with the knowledge that the primary purpose and fiduciary responsibility of NFG in voting proxies is to maximize shareholder value.
- b. When Clients request advice on proxy voting for shares of stock in their portfolios that NFG has not recommended, we will review the material provided by the Client and educate the Client on the issues involved. It is the Client's responsibility to understand the issues and to vote the shares.

### ***Records of Proxy Votes***

NFG maintains a separate file recording the history of all proxy votes. Clients may obtain, free of charge, a record of how NFG voted proxy issues on their behalf by submitting a written request or calling us at (757) 340-7006.

### ***Conflicts of Interest***

a. Should a conflict of interest exist between NFG and Client(s) regarding the outcome of certain proxy votes, NFG is committed to resolving the conflict in the best interest of Clients before it votes the proxy in question. NFG may take any of the following courses of action to resolve the conflict:

- Disclose the conflict to Clients and obtain consent before voting
- Suggest that Client(s) engage another party to determine how the proxy should be voted
- Vote according to the recommendation of an independent third party, such as a proxy consultant, research analyst, proxy voting department of a mutual fund or pension fund, or compliance consultant.

Clients may direct a proxy vote at any time by calling or writing to us to inform us of their desired vote. A copy of NFG's proxy voting policy is available upon request.

### **Financial Information - Item 18**

We are required in this Item to provide you with certain financial information or disclosures about NFG's, financial condition. NFG does not require the prepayment of over \$500, six or more months in advance. Additionally, NFG has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.

### **Requirements for State-Registered Advisors - Item 19**

#### **Principal Executive Officers and Management Persons**

##### **Karrie Ann Thomas**

Year of birth: 1970

Formal education after high school:

- Old Dominion University, Bachelors Degree, Finance, 2004
- Tidewater Community College, Associates in Science, 2002

Business background for the previous five years:

- Nautilus Financial Group, Inc. (formerly Sheavly Financial Group, Inc.), Office Manager (01/2001 – 08/2005), Chief Compliance Officer (04/2011 to Present), and President (09/2015 to Present).
- American Portfolios Financial Services, Inc., Registered Representative, 08/2005 to 04/2011.
- American Portfolio Advisors, Inc., Investment Adviser Representative, 03/2007 to 04/2011.

**Outside Business Activities**

NFG is not actively engaged in any other business.

**Performance Based Fees**

We and our Associated Persons do not accept performance based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the client's assets.

**Disciplinary Information**

Our firm and our management persons have not been involved in any reportable disciplinary events.

**Other Relationships or Arrangements With Issuers of Securities**

Our firm and our related persons do not have any relationships or arrangements with any issuer of securities.

**Miscellaneous**

**Class Action Lawsuits**

From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. NFG has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a Client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the firm has no obligation

or responsibility to initiate litigation to recover damages on behalf of Clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by Clients.

Where the firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a Client, it will forward all notices, proof of claim forms, and other materials, to the Client. Electronic mail is acceptable where appropriate, and the Client has authorized contact in this manner.

**Trade Error Correction Procedures**

On infrequent occasions, an error may be made in a Client account. For example, a security may be erroneously purchased for the account instead of sold. In these situations, the firm generally seeks to rectify the error by placing the Client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including among others canceling the trade or adjusting an allocation. Any losses resulting from error correction will be placed in NFG's error correction account. Any gains resulting from error correction will be credited to the Client's account.

**Confidentiality**

NFG views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the firm has instituted policies and procedures to ensure that customer information is kept private and secure.

NFG does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a Client account, NFG may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

NFG restricts internal access to nonpublic personal information about its Clients to those employees who need to know that information in order to provide products or services to the Client. NFG maintains physical and procedural safeguards that comply with state and federal standards to guard a Client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be the firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the firm's policy not to share information unless required to process a transaction, at the request of the Client, or as required by law.

A copy of the firm's privacy policy notice will be provided to each Client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, the firm will deliver a copy of the current privacy policy notice to its Clients on an annual basis. If you have any questions on this policy, please contact Karrie Ann Thomas, CCO at (757) 340-7006.



**Karrie Ann Thomas**  
President/Chief Compliance Officer

**Nautilus Financial Group, Inc.**

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**February 17, 2020**

**Form ADV Part 2B Brochure**

This Brochure Supplement provides information about Karrie A. Thomas that supplements the Nautilus Financial Group, Inc. (hereinafter "NFG") Brochure. You should have received a copy of that Brochure. Please contact us at (757) 340-7006 if you did not receive NFG's Brochure or if you have any questions about the contents of this supplement.

Additional information about Karrie A. Thomas is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Educational Background and Business Experience - Item 2

**Karrie Ann Thomas**

Year of birth: 1970

Formal education after high school:

- Old Dominion University, Bachelors Degree, Finance, 2004
- Tidewater Community College, Associates in Science, 2002

Business background for the previous five years:

- Nautilus Financial Group, Inc. (formerly Sheavly Financial Group, Inc.), Office Manager (01/2001 – 08/2005), Chief Compliance Officer (04/2011 to Present), and President (09/2015 to Present).
- American Portfolios Financial Services, Inc., Registered Representative, 08/2005 to 04/2011.
- American Portfolio Advisors, Inc., Investment Adviser Representative, 03/2007 to 04/2011.

### Disciplinary Information - Item 3

Karrie Ann Thomas, Chief Compliance Officer, has not been involved in any reportable disciplinary events.

### Other Business Activities - Item 4

Karrie Ann Thomas, Chief Compliance Officer, is not involved in any other financial industry activities and does not have any other financial industry affiliations.

### Additional Compensation – Item 5

Karrie Ann Thomas, Chief Compliance Officer, does not receive additional compensation or economic benefits from third party sources in connection with advisory activities.

### Supervision - Item 6

Karrie Ann Thomas, Chief Compliance Officer, is an Investment Advisor Representative of NFG. In this role, Ms. Thomas is responsible for the monitoring of client portfolios for investment objectives and other supervisory reviews.

Ms. Thomas adheres to NFG's code of ethics and compliance manual as mandated. Clients may contact Ms. Thomas at (757) 340-7006 to obtain a copy of NFG's Code of Ethics.

**Requirements for State-Registered Advisers - Item 7**

**Disciplinary Information**

Karrie Ann Thomas, Chief Compliance Officer, has not been involved in any reportable disciplinary events.

**Bankruptcy Petition**

Karrie Ann Thomas, Chief Compliance Officer, has not been subject to a bankruptcy petition.



Cover Page – Item 1

## **Nautilus Financial Group, Inc.**

468 S. Independence Blvd., Suite B-122  
Virginia Beach, VA 23452  
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Fax: (757) 340-8767  
[www.nautilusfingroup.com](http://www.nautilusfingroup.com)

**February 17, 2020**

### **Firm Form ADV Part 2A, Appendix 1: Wrap Fee Program Brochure**

Nautilus Financial Group, Inc. is a state-registered investment adviser. An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This Wrap Fee program brochure provides information about the qualifications and business practices of Nautilus Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at (757) 340-7006. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Nautilus Financial Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

The purpose of this page is to inform you of any material changes since the previous version of this wrap fee brochure. We review our wrap fee brochure at least annually to make sure that it remains current.

On February 17, 2020, our most recent annual updating amendment filing was submitted to regulators. We did not have any additional material changes to our wrap fee brochure.

**Table of Contents – Item 3**

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#### **Services Fees and Compensation - Item 4**

Nautilus Financial Group, Inc. (hereinafter "NFG") offers a Wrap Fee program ("Program") whereby the Firm manages Client accounts for a single fee that includes portfolio management services, custodial services and the transaction/commission costs. Under this Program, NFG offers discretionary investment advice designed to assist Clients in obtaining professional asset management for a convenient single "Wrap Fee."

NFG, as portfolio manager is responsible for the research, security selection, and implementation of transaction orders in the Client's account. The transactions in the Client's account will be executed by TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"). NFG receives a portion of the Wrap Fee for portfolio management services. TD Ameritrade will also receive a portion of the fee for trade execution expenses. The terms and conditions under which a Client participates in NFG's Wrap Fee program will be set forth in a written agreement between the Client and NFG. The overall cost incurred from participation in our Wrap Fee program may be higher or lower than if the services were purchased separately.

Wrap accounts are managed to diversify Client's investments and may include various types of securities such as equity securities, Exchange Traded Funds (ETFs), corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company products and U.S. Government securities. Other types of investments may also be recommended where the firm deems such investments appropriate based on the Client's stated goals and objectives.

Investments and allocations are determined and based upon the Clients predefined objectives, risk tolerance, time horizon, financial horizon, financial information, and other various suitability factors. Further restrictions and guidelines imposed by Clients may affect the composition and performance of a Client's portfolio. For these reasons, performance of the portfolio may not be identical with the average Client of NFG. On an ongoing basis, NFG reviews the Client's financial circumstances and investment objectives and makes any adjustments to the Client's portfolio as may be necessary to achieve the desired results.

Our Wrap Fee accounts are discretionary, that is, once the portfolio allocation has been agreed upon, the ongoing supervision, and management of the portfolio will be our responsibility. This authority is granted to us by you in a written agreement. This allows our Firm to decide on specific securities, the quantity of the securities and placing buy or sell orders for your account without obtaining your approval for each transaction. This type of authorization is granted using either the investment advisory agreement the Client signs with our Firm, a limited power of attorney agreement, or trading authorization forms.

NFG offers a unique product line where asset allocation models are developed and managed based on research and analysis conducted by NFG. Once the Client portfolio is constructed, NFG provides continuous supervision of the portfolio as changes in the market conditions and Client circumstances may require. Clients may limit the firm's discretionary authority if they wish, by, for example, setting a limit on the type of securities that can be purchased for their account. All such restrictions must be provided in writing.

### Program Fee

NFG charges a single asset-based fee for advisory services, which includes the cost of portfolio management services, custodial services and the execution of securities transactions. The annual fee for the NFG Wrap Fee Program is billed quarterly in arrears, based on the average daily value of assets in the account multiplied by the number of days in the quarter. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter.

The Client pays one fee to NFG. This fee is deducted from the Client's account held at TD Ameritrade. The Client authorizes NFG to debit the fee from the Client's account. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. Our fee for portfolio management services is set forth in the following fee schedule:

Portfolio Size	Annualized Fee
First \$500,000	1.00%
Next \$500,000	0.90%
Next \$500,000	0.80%
Next \$500,000	0.70%
Over \$2,000,000	Negotiable

The above fees include the cost of portfolio management services, custodial services and the execution of securities transactions.

Generally, NFG allows related accounts to be combined for fee paying purposes. We combine the account valuations to assist you in meeting fee breakpoints and therefore lowering the overall fee level. NFG extends this option to accounts residing in the same household and certain members of the same family. Our fees are not negotiable. The portion of the total fee paid to our portfolio managers will vary depending on the individual managing the account. Our portfolio managers' compensation may be based on a fixed salary or on a percentage of the fee charged by the firm. This percentage may range from 20% to 50% of the total fees.

Generally, we will deduct our fee automatically from your account through the qualified custodian holding your funds and securities. However, we will deduct our advisory fee only when the following requirements are met:

- We have authorization from you, in writing, permitting the fees to be paid directly from your account held by the qualified custodian.
- We send you an invoice showing the amount of the fee, the asset valuation used to calculate the fee, and how the fee was calculated.
- We disclose to you that it is your responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee is accurately calculated.
- The qualified custodian agrees to send you a statement, at least quarterly, showing all funds that came out of your account including the amount of the advisory fee paid directly to our firm.



We may deduct the fee from a designated account to facilitate billing.

In determining whether to establish a Program account, a Client should be aware that the overall cost to the Client of the Program may be higher or lower than the Client might incur by purchasing separately the types of securities available in the Program. In order to compare the cost of the Program with unbundled services, the Client should consider the turnover rate in NFG's investment strategies, trading activity in the account and standard advisory fees and brokerage commissions that would be charged at TD Ameritrade, or at other broker-dealers and investment advisers.

### **Additional Fees and Expenses**

The fees are charged as described above and are not based on a share of capital gains of the funds of an advisory Client.

All fees paid to NFG for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a Client may pay an initial or deferred sales charge. A Client could invest in a mutual fund directly, without the services of NFG. In that case, the Client would not receive the services provided by NFG, which are designed, among other things, to assist the Client in determining which mutual fund or funds are most appropriate to each Client's financial condition and objectives. Accordingly, the Client should review both the fees charged by the funds and the fees charged by NFG to fully understand the total amount of fees to be paid by the Client and to thereby evaluate the advisory services being provided.

There may be other costs assessed, which are not included in the Program Fee, such as national securities exchange fees; charges for transactions with respect to assets not executed through the custodian, costs associated with exchanging currencies; wire transfer fees; or other fees required by law.

### **Termination**

Client shall have five (5) business days from the date of execution of the agreement to terminate our services without penalty. Thereafter, the agreement between NFG and the Client may be terminated at anytime upon receipt of a thirty (30) days' written notice to terminate by either party to the other. NFG's annual fee will be pro-rated through the date of termination. Upon the termination of this Agreement, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Upon termination of accounts held at TD Ameritrade, TD Ameritrade delivers securities and funds held in the account as instructed by Client, unless Client requests that the account be liquidated. After the Agreement has been terminated, transactions are processed at the prevailing brokerage rates. Client becomes responsible for monitoring their own assets and NFG has no further obligation to act or provide advice with respect to those assets.

### **TD Ameritrade Institutional Advisor Program**

NFG participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to

independent investment advisors services, which include custody of securities, trade execution, clearance, and settlement of transactions. NFG receives some benefits from TD Ameritrade through its participation in the Program.

There is no direct link between NFG's participation in the program and the investment advice it gives to its Clients, although NFG receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving NFG participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have NFG's fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to NFG by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by NFG's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit NFG but may not benefit its Client accounts. These products or services may assist NFG in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help NFG manage and further develop its business enterprise. The benefits received by NFG or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, NFG endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by NFG or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the NFG's choice of TD Ameritrade for custody and brokerage services.

NFG may receive succession planning, practice valuation, and equity management services from third-party vendors through NFG's participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Equity Management Program, NFG may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade.

TD Ameritrade is a discount broker-dealer independent of, and unaffiliated with, NFG; and, there is no employee or agency relationship between TD Ameritrade and NFG. TD Ameritrade has established the TD Ameritrade Institutional Equity Management Program as a means of assisting independent unaffiliated Advisors to grow and maintain their respective investment advisory business. TD Ameritrade does not supervise NFG and has no responsibility for NFG's management of client portfolios or NFG's other advice or services to clients.

NFG's participation in the TD Ameritrade Institutional Equity Management Program raises potential conflicts of interest. NFG may encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, NFG may have an incentive to recommend to clients that the assets under management by NFG be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. NFG's participation in the TD Ameritrade

Institutional Equity Management Program does not relieve the NFG of the duty to seek best execution of trades for client accounts.

#### **Account Requirements and Types of Clients - Item 5**

We offer investment advisory services to individuals, high net worth individuals, and charitable organizations.

NFG requires a minimum of \$50,000 to open and maintain an advisory account. At our sole discretion, we may waive this requirement. This requirement can be met by combining two or more accounts owned by you or related family members.

#### **Portfolio Manager Selection and Evaluation - Item 6**

##### **Portfolio Managers**

Karrie A. Thomas acts as portfolio manager for the wrap fee programs described in this Wrap Fee Program Brochure. This may create a conflict of interest in that portfolio managers could place their own or NFG's interests before a client's interest. We have adopted Compliance Procedures and a Code of Ethics that requires our portfolio managers and other employees of the firm to adhere to their fiduciary duty and avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of clients.

We review a number of different criteria when reviewing our portfolio managers including: years of investment management experience, educational background, professional designations, ability to work in a team environment, compatibility with our investment management style, etc. Neither us nor a third party reviews performance information to determine or verify its accuracy.

We have chosen not to utilize outside portfolio managers, and therefore, there is no selection and review of outside portfolio managers that could be inconsistent with the selection and review of our internal portfolio managers.

##### **Advisory Business**

Currently, we offer the following investment advisory services, personalized to each individual Client:

##### **Advisory Consulting and Planning Services**

NFG provides general consulting services that focus on the specific needs and concerns of the Client. Consulting services may include giving advice on investment and investment related matters. These services include the identification of financial goals and objectives, collection and assessment of all relevant data, identification of financial problems and formulation of solutions, and the preparation of written or verbal plans. The services we provide will typically focus on one or more of the following areas:

- **Retirement Planning:**

Retirement Planning is a process of determining retirement income goals and the actions and decisions necessary to achieve those goals. Retirement planning includes identifying sources of income, estimating expenses, implementing a savings program and managing assets. Future cash flows are estimated to determine if the retirement income goal will be achieved.

- **Tax Planning:**

The goal of tax planning is to arrange the Client's financial affairs to minimize taxes. There are three basic ways to reduce your taxes, and each basic method might have several variations. Clients may reduce their income, increase their deductions, and take advantage of tax credits.

- **Investment Planning:**

The goal of investment planning is to determine the investment mix and policy, matching investments to objectives, asset allocation for individuals and institutions, and balancing risk against performance. The process realizes strengths, weaknesses, opportunities and risks in the choice of debt vs. equity, domestic vs. international, growth vs. safety, and many other tradeoffs encountered in the attempt to maximize return at a given risk.

Consulting and planning advice is based on the Client's financial situation and the financial information provided to our firm. If the Client's financial situation, goals, objectives, or needs change, the Client must notify us promptly.

Clients may choose to accept or reject our recommendations. Clients, who decide to proceed with our recommendations, may do so either through our firm or by using the advisory/brokerage firm of their choice.

#### **Performance Based Fees - Side by Side Management**

We and our Associated Persons do not accept performance based fees. Performance based fees are based on a share of capital gains on or capital appreciation of the Client's assets.

#### **Methods of Analysis**

The following are different methods of analysis that we may use when providing you with investment advice:

- Charting – charting is a technique that attempts to forecast future market moves by studying historical data on charts.
- Fundamental Analysis – fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.
- Technical Analysis – technical analysis is a technique that relies on the assumption that current market data (such as charts of price, volume, and open interest) can help predict future market trends, at least in the short term. It assumes that market psychology influences trading and can predict when stocks will rise or fall.
- Cyclical Analysis – cyclical analysis is a technique that looks at cycles, specifically analyzing the way prices follow certain patterns and trends.

#### **Investment Strategies**

We may use one or more of the following investment strategies when advising you on investments:

- Long Term Purchases – securities held for over a year.
- Short Term Purchases – securities held for less than a year.

## **Risk of Loss**

### **Investing in securities involves risk of loss that clients should be prepared to bear.**

The investment advice provided along with the strategies suggested by NFG will vary depending on each Client's specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed would be appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

Certain investment strategies may utilize concentrated investments. Concentrated portfolios generally hold the securities of a limited number of companies and, therefore, may be more volatile because the risk specific to each company may represent a larger portion of assets. It is likely that the performance of these portfolios will differ significantly from that of the broad equity market.

### **Voting of Client Securities - Proxy Voting**

Unless the Client designates otherwise, NFG votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. In accordance with SEC Rule 206(4)-6, NFG has established the following policies and procedures:

#### ***Voting on Mutual Fund Shares***

##### **a. Funds recommended by NFG:**

- NFG monitors the activity of funds it recommends to Clients.
- NFG will review the issues on a case-by-case basis and vote proxies when the proxies are delivered to NFG or when a Client requests information on how to vote. The primary purpose and fiduciary responsibility of NFG in voting proxies is to maximize shareholder value.
- NFG does not vote proxies that are based solely on social issues.

##### **b. Funds in Client portfolios that were not recommended by NFG:**

- NFG due diligence on funds not recommended by us is limited to performance review relative to peers.
- In the case where we recommend other funds in a fund family, but not the specific fund requiring voting, we will make recommendations based on our knowledge of general issues and procedural changes common to funds we do recommend.

#### ***Voting on Equity Securities***

a. For individual equities we have directly recommended, we review the issues on a case-by-case basis to determine how to vote, with the knowledge that the primary purpose and fiduciary responsibility of NFG in voting proxies is to maximize shareholder value.

b. When Clients request advice on proxy voting for shares of stock in their portfolios that NFG has not recommended, we will review the material provided by the Client and educate the Client on the issues involved. It is the Client's responsibility to understand the issues and to vote the shares.

### ***Records of Proxy Votes***

NFG maintains a separate file recording the history of all proxy votes. Clients may obtain, free of charge, a record of how NFG voted proxy issues on their behalf by submitting a written request or calling us at (757) 340-7006.

### ***Conflicts of Interest***

a. Should a conflict of interest exist between NFG and Client(s) regarding the outcome of certain proxy votes, NFG is committed to resolving the conflict in the best interest of Clients before it votes the proxy in question. NFG may take any of the following courses of action to resolve the conflict:

- Disclose the conflict to Clients and obtain consent before voting
- Suggest that Client(s) engage another party to determine how the proxy should be voted
- Vote according to the recommendation of an independent third party, such as a proxy consultant, research analyst, proxy voting department of a mutual fund or pension fund, or compliance consultant.

Clients may direct a proxy vote at any time by calling or writing to us to inform us of their desired vote. A copy of NFG's proxy voting policy is available upon request.

### **Client Information Provided to Portfolio Managers - Item 7**

Since NFG and its Associated Persons are the sole portfolio managers to the Program, we do not provide information about our Clients to other portfolio managers.

### ***Confidentiality***

NFG views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, the Firm has instituted policies and procedures to ensure that customer information is kept private and secure.

NFG does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a Client account, NFG may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

NFG restricts internal access to nonpublic personal information about its Clients to those employees who need to know that information in order to provide products or services to the Client. NFG maintains physical and procedural safeguards that comply with state and federal standards to guard a Client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has

always been and will always be the Firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the Firm's policy not to share information unless required to process a transaction, at the request of the Client, or as required by law.

A copy of the Firm's privacy policy notice will be provided to each Client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, the Firm will deliver a copy of the current

privacy policy notice to its Clients on an annual basis. If you have any questions on this policy, please contact us.

### **Client Contact with Portfolio Managers - Item 8**

NFG and its Associated Persons are the sole portfolio managers to the Program. Clients are free to contact us at any time. Our primary contact regarding questions about the Program is Karrie Ann Thomas, President/CCO. Clients may contact her at (757) 340-7006.

### **Additional Information - Item 9**

#### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. There is no history of material legal or disciplinary events by our Firm or our management persons.

#### **Other Financial Industry Activities and Affiliations**

To minimize client advisory business conflicts of interest, our firm and our related persons conduct financial industry relationships on an independent and unaffiliated basis.

Karrie Ann Thomas, Chief Compliance Officer, is not involved in any other financial industry activities and does not have any other financial industry affiliations.

#### **Description of Our Code of Ethics**

NFG has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes NFG's policies and procedures developed to protect Client's interests in relation to the following topics:

- The duty at all times to place the interests of Clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of Clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

Clients, who would like to receive a copy of NFG's Code of Ethics, may contact Karrie Ann Thomas, CCO at (757) 340-7006.

#### **Personal Trading Practices**

At times, NFG and/or its Advisory Representatives may take positions in the same securities as Clients, which may pose a conflict of interest with Clients. NFG and its Advisory Representatives will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to Client trades. We will not violate our fiduciary responsibilities to our Clients. Front running (trading shortly ahead of Clients) is prohibited. Should a conflict occur because of materiality (i.e. a thinly traded stock), disclosure

will be made to the Client(s) at the time of trading. Incidental trading not deemed to be a conflict (i.e. a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price), would not be disclosed at the time of trading.

### **Review of Accounts**

NFG monitors the individual investments within NFG's portfolio management programs on a continuous basis. Portfolio performance is reviewed, at a minimum, on a quarterly basis. NFG offers portfolio management Clients an in-person portfolio review meeting on an annual basis. Material market, economic, or political events, or changes in a Client's financial circumstances, may trigger more frequent reviews.

The account reviews are performed by Karrie A. Thomas, President/Chief Compliance Officer.

Clients will receive statements directly from their account custodian(s) on at least a quarterly basis. This statement will show total portfolio value and the securities holdings and activity in the account.

### **Client Referrals and Other Compensation**

We do not receive economic benefits from third parties in exchange for providing investment advice or other advisory services to our Clients.

We and our related persons do not compensate, either directly or indirectly, any person or entity who is not our supervised person for Client referrals.

### **Financial Information**

We are required in this Item to provide you with certain financial information or disclosures about NFG's, financial condition. NFG does not require the prepayment of over \$500, six or more months in advance. Additionally, NFG has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.

## **Requirements for State-Registered Advisors - Item 10**

### **Other Relationships or Arrangements With Issuers of Securities**

Our firm and our related persons do not have any relationships or arrangements with any issuer of securities.

## **Miscellaneous**

### **Trade Aggregation**

While individual Client advice is provided to each account, Client trades may be executed as a block trade. NFG encourages its existing and new Clients to use TD Ameritrade. Only accounts in the custody

of TD Ameritrade would have the opportunity to participate in aggregated securities transactions. All trades using TD Ameritrade will be aggregated and done in the name NFG. The executing broker will be informed that the trades are for the account of NFG's Clients and not for NFG itself. No advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. The aggregation should, on average, reduce slightly the costs of execution, and NFG will not aggregate a



Client's order if in a particular instance NFG believes that aggregation would cause the Client's cost of execution to be increased. TD Ameritrade will be notified of the amount of each trade for each account. NFG and/or its Advisory Representatives may participate in block trades with Clients, and may also participate on a pro rata basis for partial fills, but only after the determination has been made that Clients will receive fair and equitable treatment.

#### **Class Action Lawsuits**

From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. NFG has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a Client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the Firm has no obligation or responsibility to initiate litigation to recover damages on behalf of Clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by Clients.

Where the Firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a Client, it will forward all notices, proof of claim forms, and other materials, to the Client. Electronic mail is acceptable where appropriate, and the Client has authorized contact in this manner.

#### **Trade Error Correction Procedures**

On infrequent occasions, an error may be made in a Client account. For example, a security may be erroneously purchased for the account instead of sold. In these situations, the Firm generally seeks to rectify the error by placing the Client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including among others canceling the trade or adjusting an allocation. Any losses resulting from error correction will be placed in NFG's error correction account. Any gains resulting from error correction will be credited to the Client's account.