

Classic Asset Management, LLC

1220 28th Avenue North
Fargo, ND 58102

Telephone: 701-234-0103
Facsimile: 701-234-0106

Websites: www.finstrat.com and
www.classicassetmanagement.com

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FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Classic Asset Management, LLC. If you have any questions about the contents of this brochure, contact us at (701) 234-0103. 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 Classic Asset Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Classic Asset Management, LLC is 122030.

Classic Asset Management, LLC is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated February 6, 2019 we have no material changes to report.

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Item 4 Advisory Business

Classic Asset Management, LLC d/b/a Financial Strategies Group is a registered investment adviser primarily based in Fargo, ND. Our firm is organized as a limited liability company under the laws of the State of North Dakota. We have been providing investment advisory services since 2006. Our firm is 100% owned by Classic Holdings, LLC. The owners of Classic Holdings, LLC are: Michael Victor Young, Chief Operations Officer/Chief Compliance Officer; Craig Alan Rottman, Chief Investment Officer; and Douglas Gene Schmitz, Vice President/Due Diligence Officer.

Our advisory services include: discretionary, and occasionally non-discretionary, portfolio management services on a continuous basis, financial planning, recommendation of independent advisers, and retirement plan advisory services. The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs.

As used in this brochure, the words "we", "our" and "us" refer to Classic Asset Management, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Portfolio Management Services

We provide discretionary, and occasionally non-discretionary, portfolio management services on a continuous basis. The investment advice provided will vary from client to client based upon your individual desires, financial circumstances, objectives and other preferences. Such advice will typically involve providing a variety of services, including an initial evaluation, custodial service recommendations, asset allocation recommendations, monitoring of the investments in the account, purchases and sales of investments (if a discretionary account) and may include investment buy/sell recommendations (if a non-discretionary account). Recommendations and investment selections of mutual funds and/or securities for your account are based upon an analysis of your individualized needs, goals and objectives.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

Financial Planning Services

We provide broad-based and structured financial planning services. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. The process typically begins with a complimentary introduction meeting during which the various services we provide are explained. During or after the initial meeting, if you decide to engage us for financial planning services, we will collect pertinent information about your personal and financial circumstances and objectives. Dependent upon the scope of the services to be performed by our firm, the preparation of each plan involves fact gathering, compiling, and analyzing of your present and anticipated assets and liabilities,

including insurance, savings, investments and anticipated retirement or other employee benefits. Once we have reviewed and analyzed your information, we will deliver a written financial plan to you designed to help you achieve your stated financial goals and objectives.

We also provide targeted advice that focuses on a single aspect of the management of your financial resources. Under these arrangements, we offer financial plans in a modular format and/or general consulting services that address only those specific areas of interest or concern.

The financial planning process will involve the collection, organization and assessment by one of our Associated Persons of your relevant data as well as identification of your financial concerns, goals and objectives. The primary objective of this process is to allow our firm through our Associated Person to assist you in developing a strategy for the successful management of income, assets and liabilities in meeting your financial goals and objectives. The written financial plan that is developed, whether broad based or modular, usually includes general recommendations for specific actions to be taken by you as part of the implementation of the plan. For example, we may recommend that you obtain insurance or revise existing coverage, establish an individual retirement account, increase or decrease funds in savings accounts or invest funds in securities. Our Associate Person may also develop general tax or estate plans for you or refer you to an accountant or attorney for their services. Neither our firm nor our Associate Persons provide specific accounting or legal advice.

Financial plans are based on your financial situation at the time we present the plan to you, and on financial information you provide to our firm. Past performance is in no way an indication of future performance. We cannot offer any guarantees or promises that your financial goals and objectives will be met. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

Recommendation of Independent Advisers

As part of our investment advisory services, we may recommend that you use the services of a third party money manager ("TPMM") to manage a portion of, or your entire investment portfolio. After gathering information about your financial situation and objectives, we may recommend a specific TPMM or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPMM's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. Upon selection of a TPMM(s), we will monitor the TPMM(s)' performance to ensure their performance and investment style remains aligned with your investment goals and objectives.

Retirement Plan Advisory Services

We have entered into agreements with various Third Party Advisers for the provision of retirement plan advisory services. Under this program, we may enter into agreements with employers that provide qualified retirement plans ("Plan") for the purpose of providing various advisory services. Services provided may include:

Investment advice to the Employer at a Plan Level - At least annually, we will deliver a written report to the Plan which includes:

1. A review of the Plan's Investment Policy Statement, including assessing the following: (a) the criteria for selecting money managers and the due diligence procedures that the Plan followed in selecting its money managers and/or mutual funds; (b) the basis for asset mix and

rebalancing limits; (c) the performance measurement criteria; (d) monitoring procedures of money managers and other investment-related vendors; (e) composition and relevancy of quarterly performance reports; (f) composition of custodial reports; and (g) termination procedures for money managers.

2. At intervals determined necessary our firm, a review of providers (custodians and recordkeeping) available to the Plan including: (a) the capabilities of various providers; (b) the performance record of various providers; (c) the scope of investment choices at various provider; and (d) the cost of various providers.
3. A review of the Plan's overall investment activities for possible conflicts of interest or prohibited transactions by the fiduciary, money managers and/or consultants.
4. A review, if applicable, of the Plan's socially responsible investment objectives.

All advice provided is based upon the reliability of the information provided by the Plan and its participants. Either the client of our firm may at any time request an audit of the Plan by an independent certified public accountant; the fee for such audit will be paid by the party making the audit request.

Types of Investments

We primarily recommend mutual funds; however, we will also recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. We may also provide advice on any type of investment held in your portfolio, e.g. equity securities, at the inception of our advisory relationship. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Mutual funds and exchange traded funds (ETFs) are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end." So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

Assets Under Management

As of January 15, 2020, we provide continuous management services for \$170,766,000 in client assets on a discretionary basis, and \$6,015,000 in client assets on a non-discretionary basis.

Item 5 Fees and Compensation

Portfolio Management Services

Our fees for portfolio management services are often set by the Associated Person servicing the account; thus, fees will vary from client to client. Our maximum annual fee schedule for portfolio management services is as follows:

Account Value	Maximum Annual Fee	Maximum Quarterly Fee
First \$100,000	1.80%	0.45%
Next \$400,000	1.65%	0.4125%
Next \$500,000	1.25%	0.3125%
Assets over \$1,000,000	0.95%	0.2375%

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

However, fees are negotiable and arrangements with any particular client may differ from those described above. When we act as a third party manager for clients of another adviser, we will share the fee set forth above with those other advisers.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

The assets in your account will be held in custody at, and securities will be purchased or sold either through, Charles Schwab & Co., Inc. ("Schwab"), member FINRA/SIPC, or E*TRADE Savings Bank dba E*TRADE Advisor Services. In some cases assets may be in custody at, and securities will be purchased or sold through, the transfer agent of various mutual fund companies. You should be aware that there may be transaction charges involved with purchasing or selling securities which are not covered by our advisory fee. We do not share in any portion of the brokerage fees/transaction charges imposed by Schwab, E*TRADE Savings Bank dba E*TRADE Advisor Services, or others.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian/transfer agent holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

If an invoice is provided, we encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian please call our main office number located on the cover page of this brochure.

Either party may terminate the management agreement within five days of the date of acceptance without penalty. After the five-day period, you may terminate the portfolio management agreement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Financial Planning Services

Our financial planning fees are negotiable with respect to total fee and schedule of payments, depending on the nature, complexity and time involved in providing the requested services.

- **Fixed Fees:** We will charge a fixed fee, which ranges between \$250.00 and \$5,000.00, for broad based planning services. In limited circumstances, the total cost could potentially exceed \$5,000.00. In such cases, we will notify you in advance and we may request that you pay an additional fee.
- **Hourly Fees:** We charge an hourly fee that ranges between \$40 - \$250 for clients who request specific services (such as a modular plan) and do not desire a broad based written financial plan.

When the scope of the financial planning services has been agreed upon, a determination is made as to our applicable fee. The final fee is dependent upon the facts and circumstances of your individual financial situation and the complexity of the financial plan or service requested. An estimate of the total cost is determined at the start of the advisory relationship. The fee is typically due in installments: 50% upon contract signing, with the balance payable upon completion of the contracted services. However, in no case will we receive \$500 or more and six or more months in advance of services rendered.

Either party may terminate the financial planning agreement within five days of the date of acceptance without penalty. After the five-day period, either party may terminate the Agreement by providing five (5) business days written notice to the other party. You will incur a pro rata charge for bona fide planning services actually rendered prior termination of the Agreement. The Agreement may not be modified or amended except in writing and signed by you and a qualified representative of our firm.

Recommendation of Independent Advisers

We do not charge you a separate fee for the selection of other advisers. We will share in the advisory fee you pay directly to the TPMM. The advisory fee you pay to the TPMM is established and payable in accordance with the disclosure brochure provided by each TPMM to whom you are referred. These fees may or may not be negotiable. Our compensation may differ depending upon the individual agreement we have with each TPMM. As such, we may have an incentive to recommend one TPMM over another TPMM with whom we have less favorable compensation arrangements or other advisory programs offered by TPMMs with which we have no compensation arrangements.

You may be required to sign an agreement directly with the recommended TPMM(s). You may terminate your advisory relationship with the TPMM according to the terms of your agreement with the TPMM. You should review each TPMM's disclosure brochure for specific information on how you may terminate your advisory relationship with the TPMM and how you may receive a refund, if applicable. You should contact the TPMM directly for questions regarding your advisory agreement with the TPMM.

Retirement Plan Advisory Services

In return for providing Retirement Plan Advisory Services, we will charge an annual fee based on a percentage of the value of Plan assets. The fee is negotiable but generally conforms to the following schedule:

Asset Levels	Annual Fee
First \$1,000,000	1.50%
Next \$1,500,00	1.00%
Next \$2,500,000	0.5%
Next \$5,000,000	0.3%
Over \$10,000,000	Negotiable

The fee is payable in advance on a quarterly basis and is based on the value of the Plan assets, on the last quarter-end value of the account. Fees for partial quarters shall be prorated. The fee will be assessed and deducted from participant accounts. A sale of holdings in the participant accounts for the fee will be made on a prorated basis of the approximate value of the various investments in the account, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. The fee may be amended by our Firm upon 30 days' advance written notice to our client.

Start up plans (plan under \$150,000 in assets) may be charged a minimum fee up to a maximum of \$2400.00 per year (\$600 per quarter) payable in advance on a quarterly basis.

Either party may terminate the services agreement upon 30 days' advance written notice to the other party. Termination will not affect your liabilities or obligation for work already completed. The fee will be pro-rated based on the number of days left in the billing period, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

Additional Fees and Expenses

As part of our investment advisory services to you, we will invest, or recommend that you invest, in mutual funds and exchange traded funds (ETFs). The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or ETFs (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this Disclosure Brochure.

Compensation for the Sale of Securities or Other Investment Products

Principals and other Associated Persons that provide investment advice on behalf of our firm are also registered representatives of Classic, LLC ("Classic"), our affiliated broker dealer. Classic is a registered full services general securities broker-dealer with the Securities and Exchange Commission, a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC"). Our advisory representatives may recommend securities or insurance products offered by Classic to you as part of your investment portfolio. If you purchase these recommended products through an Associated Person of our firm, those individuals will receive the normal commissions associated with these products in their separate capacity as a registered representative of Classic. All such compensation is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities and/or insurance transactions for the purpose of generating commissions rather than solely based on your needs.

However, you are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm unless done in conjunction with an investment management program as disclosed above under the *Advisory Business* section.

As registered representatives of Classic, our Associated Persons on behalf of our firm may recommend the purchase or sale of investment products in which the Associated Person and Classic, or a related entity may have some financial interest, including the receipt of commission based compensation. Certain mutual funds (and/or their related persons) in which you may invest make 12b-1 fee payments to broker dealers. These payments may be distributed pursuant to a 12b-1 distribution plan or pursuant to another arrangement as compensation for distribution or administrative services and may be paid out of the fund's assets. Classic and/or our Associated Persons may receive such 12b-1 fees or other compensation to the extent permitted by applicable law.

At our discretion, we may offset our advisory fees to the extent persons associated with our firm earn commissions in their separate capacities as registered representatives and/or insurance agents.

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities as well as other organizations. In general, we require a minimum of \$10,000 to open and maintain an advisory account, except for exchange traded fund accounts which require a \$50,000 minimum. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Charting Analysis - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends.
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.
- Margin Transactions - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. When appropriate to your investment needs, we may recommend the use of margin transactions. Because this investment strategy may involve higher degrees of risk, it will only be recommended when consistent with your stated tolerance for risk.
- Modern Portfolio Theory (MPT) is a theory of investing which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets. MPT is a mathematical formulation of the concept of diversification in investing, with the aim of selecting a collection of investment assets that has collectively lower risk than any individual asset. The risk, return, and correlation measures used by MPT are mathematical statements about the future. In practice investors must substitute predictions based on historical measurements of asset return and volatility for these values in the equations. Very often such expected values fail to take account of new circumstances which did not exist when the historical data were generated.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

More than a small portion of our clients' assets are advised using Modern Portfolio Theory (MPT). MPT attempts to balance a portfolio's risk and return level based on a particular client's risk tolerance and investment objectives.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. Refer to the *Types of Investments* section above for additional disclosures on risks associated with certain types of investments.

Item 9 Disciplinary Information

Classic Asset Management, LLC has been registered and providing investment advisory services since 2006. Neither our firm nor any of our associated persons has any reportable disciplinary information.

Item 10 Other Financial Industry Activities and Affiliations

Arrangements with Affiliated Broker Dealer

We are affiliated with Classic, LLC ("Classic") through common control and ownership. Classic is a securities broker-dealer and a member of FINRA and SIPC. Persons providing investment advice on behalf of our firm are also registered representatives with Classic. In their separate capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate from our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. While we believe that commissions charged by Classic are competitive, such compensation may be higher than commissions or related fees charged by other firms providing the same or similar services. You are under no obligation to use Classic's services and may obtain comparable services and/or lower commissions or related fees through other firms. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

Recommendation of Other Advisers

We may recommend that you use a third party adviser based on your needs and suitability. The third party advisers may offer timing services, asset allocation services, and wrap fee accounts. We will receive compensation from the third party adviser for recommending that you use their services by participating in the advisory fee charged by the third party adviser. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. You are not obligated, contractually or otherwise, to use the services of any third party adviser we recommend.

Insurance Compensation

Additionally, if you elect to purchase insurance products through an Associated Person of our firm that also holds an insurance license, our firm and/or our Associated Person will receive customary commission based compensation. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

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

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our advisory practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

The full text of our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Michael V. Young at (701) 234-0103.

Personal Trading Practices

In limited circumstances, our firm or persons associated with our firm may buy or sell for their personal account(s) the same securities that we recommend to you or securities in which you are already invested. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor our Associated Persons shall have priority over your account in the purchase or sale of securities. This policy is designed to prevent Associated Persons from benefiting from transactions placed on behalf of advisory accounts. Refer to the *Brokerage Practices* section below for information on our block trading practices.

Item 12 Brokerage Practices

We routinely recommend the brokerage and custodial services of Charles Schwab & Co., Inc. ('Schwab') and/or E*TRADE Savings Bank dba E*TRADE Advisor Services. Schwab is a securities broker-dealer and member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Schwab and E*TRADE Savings Bank dba E*TRADE Advisor Services carry client accounts on their records, processes transactions ordered by our firm, provide computer access to our firm for customer positions and provide quotes and data needed by our firm for the reports we provide to clients. These services are provided to our firm at little or no cost. Although you are not obligated to utilize the services of Schwab or E*TRADE Savings Bank dba E*TRADE Advisor Services, we believe that use of Schwab or E*TRADE Savings Bank dba E*TRADE Advisor Services is a convenient means of obtaining efficient transaction executions, account reference and reporting services for investment positions. However, receipt of such services also creates an inducement and conflict of interest for our firm since referring you to any other firm may result in higher reporting and overhead costs to us. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge. Although these services are provided to our firm at little or no cost, there is no soft dollar arrangement that is currently in place.

There is no requirement that you use the broker that we recommend; however, we reserve the right to not accept your account if you choose to select a different broker or dealer.

Associated persons of our firm may, from time to time, attend conferences offered by various vendors and/or wholesalers. These conferences may be available to Associated Persons of our firm at no cost.

Block Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Item 13 Review of Accounts

We review managed accounts on a regular basis to ensure that the portfolio mix is consistent with your stated investment needs and objectives. The Associated Person, or another qualified member of our firm, will conduct the reviews. A formal review will be conducted at least annually. Additional reviews may be conducted as deemed necessary by the Associated Person assigned to your account or at your request. Factors that may trigger an additional review include, but not limited to:

- unusual economic or industry developments,
- changes in the state of the economy,
- the complexity of the individual client portfolio or changes in a client's situation, such as investment goals, financial position, tax considerations or individual investment developments, i.e., marriage, divorce, death, a change in employment, the birth of a child, retirement, etc.

We will not provide you with additional or regular written reports in conjunction with account reviews. You will receive trade confirmations and monthly or quarterly portfolio statements from your account custodian(s).

Item 14 Client Referrals and Other Compensation

We do not directly or indirectly use, employ, or compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals.

Other Compensation

As disclosed under the *Fees and Compensation* section above, persons providing investment advice on behalf of our firm are licensed insurance agents and are registered representatives with Classic, our affiliated broker dealer. Through this relationship, our firm or an Associated Person could be eligible to receive incentive awards from Classic. Also, certain Associate Persons may receive 12b-1 fees from mutual funds that pay incentive awards. Not all mutual funds that we recommend pay 12b-1 fees. We do not distinguish between mutual funds that do and do not pay 12b-1 fees in our investment recommendations. Insurance companies may pay renewal or trail commissions on products recommended by our firm. We do not distinguish between insurance products that do or do not pay trail commissions in our recommendations. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section above.

Additionally, if you elect to purchase insurance products through an Associated Person of our firm that also holds an insurance license, our firm and/or our Associated Person will receive customary commission based compensation.

For recommendation of independent advisers, we are paid by a participation in the advisory fee you pay to third-party advisers to whom we refer your accounts. We have entered into contracts with various third-party advisers performing portfolio management. A copy of the third-party adviser's disclosure brochure, or other equivalent document, will be provided to you when we recommend the third-party adviser.

Item 15 Custody

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent qualified custodian. You will receive account statements from the independent qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

Asset Transfer Authority

Our firm or persons associated with our firm may effect third party asset transfers for client accounts without client written consent per transaction for client accounts. An adviser with authority to conduct third party asset transfers has access to the client's assets, and therefore has custody of the clients' assets in any related accounts.

We will also provide you with performance reports annually or more often at your request. You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected. If you have a question regarding your account statement or if you do not receive a statement from your custodian, contact Michael V. Young, CFP(R) at 701-234-0103 or e-mail him at myoung@finstrat.com.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm complete discretion over the selection and amount of securities to be purchased or sold, the broker or dealer to be used and the commission rates to be paid for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

Item 17 Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. On rare occasions and only per your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

Item 19 Requirements for State Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

Item 20 Additional Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that customer information is kept private and secure.

To the extent a financial institution discloses your private information to nonaffiliated third parties other than as permitted or required by law, you must be given the opportunity and means to opt out of (or prevent) such disclosure. Except as required or permitted by law, we do not share confidential information about you with nonaffiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of your confidential information, we will provide written notice to you, and you will be given an opportunity to direct us as to whether such disclosure is permissible.

We collect and develop personal information about you, and some of that information is nonpublic personal information ("Customer Information"). The essential purpose for collecting Customer Information is to provide and service the financial products and services you obtain from our Firm. The categories of Customer Information collected by us depend upon the scope of the engagement with us and are generally described below. As an investment adviser, we collect and develop Customer Information about you in order to provide investment advisory services. Customer Information we collect includes:

- Information we receive from you on financial inventories through consultation with our representatives.

This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account, and other records concerning your financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.

- Information developed as part of financial plans, analyses or investment advisory services.
- Information concerning investment advisory account transactions, such as wrap account transactions.
- Information about your financial products and services transactions with us.

We restrict access to Customer Information to those representatives and employees who need the information to perform their job responsibilities within our Firm. We maintain agreements, as well as physical, electronic and procedural securities measures that comply with federal regulations to safeguard customer Information about you.

To administer, manage and service customer accounts, process transactions and provide related services for your accounts, it is necessary for us to provide access to Customer Information within our Firm and to nonaffiliated companies such as other investment advisers, other broker-dealers, trust companies, custodians and insurance companies. We may also provide Customer Information outside of our Firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

If you close an account with our Firm, we will continue to operate in accordance with the principles stated in the Notice.

Customers who have questions about these Privacy Principles or have a question about the privacy of their customer information should call Michael V. Young, CFP(r) at 701-234-0103 or e-mail him at myoung@finstrat.com.

These Privacy Principles apply to individuals, and we reserve the right to change these Privacy Principles, and any of the policies or procedures described above, at any time without prior notice. These Privacy Principles are for general guidance and do not constitute a contract or create legal rights and do not modify or amend any agreements we have with our customers.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.