

Lucien, Stirling & Gray Advisory Group, Inc.
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This brochure provides information about the qualifications and business practices of Lucien, Stirling & Gray Advisory Group, Inc. If you have any questions about the contents of this brochure, please contact us at (512) 458-2517 and/or at info@lsggroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration of an Investment Advisor does not imply any particular level of skill or training, and does not imply the endorsement of any regulatory authority.

Additional information about Lucien, Stirling & Gray Advisory Group, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

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(1) Advisory Business

Lucien, Stirling & Gray Advisory Group, Inc. (hereafter sometimes called "the firm", or "the company") has been in business since 1992 and is a Texas Corporation offering Investment Advisory Services to individuals, corporations and other business entities, pension and profit sharing plans, trusts, estates, and charitable organizations. The company's principal owners are Thomas G. Twombly (President) and Walter L. Wilson, III (Exec. V.P., Operations).

The company offers investment advisory services through both supervisory and non-supervisory accounts. A supervisory account is one in which continuous investment advice is given based on the individual needs of the client. Individual needs include, for example, the nature of other client assets and the client's personal and family obligations. A non-supervisory account is one in which a client has elected to follow one or more investment "models" such that his account, or such portion of his account so designated, will mirror the allocations set forth by the model with minimal individual variation. Both supervisory and non-supervisory accounts are charged fees, applied and calculated as described below, based on a percentage of assets under management. At December 31, 2010 the company managed approximately 19 million dollars in supervisory accounts and 60.1 million dollars in non-supervisory accounts.

In addition to and independent of ongoing investment advisory services through supervisory and non-supervisory accounts, the company offers advice through individual consultations not included in either of the ongoing services described above. Such consultations will be offered on an hourly basis, by quotation, or according to a fixed fee schedule as described below depending upon the type of services desired by the client. The company may also make available analyses of and opinion on specific securities on a one-time report basis as described below. Other non-investment advisory services, including consultation on qualified plan design and enrollment, charts and research, and seminars may be made available from time to time as deemed appropriate and as the company or its associated persons may be qualified by training or experience according to fee schedules published herein or by negotiated contract.

Investment advisory services provided by the company will generally relate to Investment Companies registered under the Investment Company Act of 1940 and their various applications. These applications include mutual fund shares, variable annuities, and variable life insurance. The fee charged by a registered investment advisor for investment advisory services is separate from the annual operating expenses charged by the mutual fund. Fund operating expenses are detailed in the fund prospectus. As a result, investors who choose to use an investment advisor will pay more than the ordinary fees associated with owning a particular security. Investment advisory services will ordinarily not relate on an ongoing basis to other types of securities, notwithstanding the company may furnish analyses of such securities at the request of the client.

Asset Management is divided into Supervisory Accounts (those in which the client works with his advisor to craft a portfolio specifically for the client's needs), and Non-Supervisory Accounts (those in which the client elects to follow one or a combination of the firm's investment models). An investor, in consultation with his advisor, may choose to work with any combination of supervisory and non-supervisory accounts so long as the per-account minimum is met.

The company will maintain various investment models (e.g. Conservative Growth, Diversified Growth, etc...), each with a particular investment objective and policy. Models are under the direction of the firm's Investment Policy Committee (IPC) which, in applying each model's objectives and policies, determines the securities to be held and when position changes are indicated. Clients who elect to follow models must file a discretionary authority that permits maintenance of their account in conformity with the model.

(2) Fees and Compensation

The fundamental method of calculating fees is as a percentage of assets under management.

One fourth of the annual fee will be charged each quarter by applying this formula:

$(\text{Total Assets Under Management}) \times (\text{Annual Rate}) / 4 \times (\text{Days Remaining in Quarter}) / (\text{Total Number of Days in Quarter})$

A 90-day deposit is required of all new accounts.

Fees are payable in advance at the beginning of each calendar quarter. Fees are due on the first day of the quarter and delinquent after the 15th day of the quarter. Any account in which fees are delinquent for more than 15 days is subject to involuntary termination of services. Clients whose services have been terminated will be notified by phone, or by mail to the last known address. The firm will not automatically change an investment position (e.g. move assets to cash) as part of service termination regardless of whether the account was supervisory or non-supervisory. Clients should contact their dealer or custodian directly to arrange transactions.

New accounts beginning during a business quarter and external source deposits made during a quarter will have initial fees calculated by first applying the basic quarterly formula to the deposit amount, and then applying an adjustment formula as follows:

$(\text{Result of Quarterly Calculation}) \times (\text{Days Remaining in Quarter}) / (\text{Total Number of Days in Quarter})$

Accounts terminating during a quarter may apply for a refund of unearned fees which will be equal to the amount calculated by applying to the fees actually paid for the quarter (or period for which the fees were paid), the formula:

$(\text{Fees Paid}) \times (\text{Days Remaining in Quarter}) / (\text{Total Number of Days in Quarter})$

The refund will first be applied as a credit to offset the client's present and future invoice debits. If the account owner does not wish to remain a client, a refund of the final credit balance will be mailed to the last registered address. Clients are responsible for returning fee refunds to qualified accounts in order to avoid tax consequences.

For purposes of computation, a quarter is a period beginning on January 1, April 1, July 1, or October 1 and ending on the day before the beginning of the next quarter. A day is any calendar day including weekends and holidays. For new accounts, deposits, and terminations, the number of days remaining in the quarter is the number of calendar days subsequent to, but not including, the date that the order to open, deposit to, or to terminate the account is received and accepted by the company.

Asset Management Fees will ordinarily be paid by direct debit to the investor account. If direct debit is not available due to the type of investment held, the mechanism available from the custodian, the preference of the client, or any other reason, the company will issue an invoice to the client for payment.

I) Asset Management Fees (Non-Supervisory)

Fees will be charged according to the model(s) in which the investor has chosen to participate. On December 31, 2010, fees for all non-supervisory accounts are 1.5% per annum on assets under management.

II) Asset Management Fees (Supervisory)

The base fee will be 2.00% per annum on assets under management.

III) Flat Fees

Services rendered in the course of ordinary asset management including periodic consultation and review are covered by the asset management fees and are not subject to an additional charge. Investors who request consultative services apart from

asset management are billed at the following rates:

1) *Portfolio Consultation and Review: \$200.00 per hour or fraction thereof*

2) *Investment Analysis: Review of securities including fundamental and technical data as appropriate. Information provided may include historical data and charting, valuation data including price/earnings ratios, and dividend yield. Minimum: \$100.00 for the first four securities reviewed. Thereafter \$20.00 per security reviewed.*

3) *Financial Planning: Rates are quoted on a per-case basis based on a time estimate and depending on the specific services requested.*

Fees are due at the time services are rendered and delinquent after 15 days. Some services based on time may require a deposit.

Fees for services not described above may be available by quotation issued by an officer of the company. Fees are not ordinarily negotiable within the limits described except that associated persons of Lucien, Stirling & Gray Advisory Group, Inc. or its affiliated companies may receive certain services at discount rates or without charge.

Fees are subject to change on 30-days notice mailed to the client at the last registered address

Fees charged by Lucien, Stirling & Gray Advisory Group, Inc. are not brokerage fees. Clients may also be subject to brokerage and other transaction costs charged directly by the broker handling their accounts. See the information below on "Brokerage Practices" for more information.

(3) Performance-based Fees

The company does not charge performance-based fees and does not participate in client accounts.

(4) Types of Clients

The company's clients historically have been primarily: individuals, corporations and other business entities, pension and profit sharing plans, trusts, estates, and charitable organizations. In the year ending December 31, 2010 more than 90% of accounts were held by individuals.

Minimum value for starting accounts is \$100,000. Minimum value per model election is \$50,000. Maintenance is provided for all account sizes so long as the greater of: a) account value, or b) total deposits less total withdrawals, meets the minimum requirements. Associated persons of Lucien, Stirling & Gray Advisory Group, Inc. or its affiliated companies may receive certain services on accounts with values below the stated minimums by application to and prior approval of the company.

(5) Methods of Analysis, Investment Strategies and Risk of Loss

Methods of analysis used by the company in determining recommendations may include charting, and fundamental and technical analysis based on information obtained from inside and outside research materials, financial publications, annual reports, prospectuses, SEC filings, on-line services, and broadcast media.

The use of investment analysis or the existence of an investment strategy do not – in and of themselves – protect against loss. No tool or strategy allows investors or advisors to see into the future. Investing in securities involves risk of loss that clients should be prepared to bear.

(6) Other Financial Industry Activities and Affiliations

Lucien, Stirling & Gray Advisory Group, Inc. is under common control with Lucien, Stirling & Gray Financial Corporation, a registered Broker/Dealer and Insurance Agency. Clients of Lucien, Stirling & Gray Advisory Group Inc. who wish to have transactions executed by or through Lucien, Stirling & Gray Financial Corporation, or who wish to purchase insurance through Lucien, Stirling & Gray Financial Corporation, may do so provided that they have applied to Lucien, Stirling & Gray Financial Corporation for an account and stated in writing that they have been provided with a disclosure of the common control of the two companies and of the fees charged by each. In no event will the Investment Committee or any advisor from Lucien, Stirling & Gray Advisory Group, Inc. exercise discretion in any client account with respect to the dealer executing transactions.

(7) Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The firm will not participate in client accounts, transactions, or profits/losses. Representatives and employees of the firm may not participate in accounts with clients other than family members. The firm has adopted a code of ethics pursuant to SEC rule 204A-1. Clients and prospective clients can receive a copy of the code of ethics on request.

(8) Brokerage Practices

Lucien, Stirling & Gray Advisory Group, Inc. will not exercise discretion with regard to the broker/dealer with whom transactions are placed. Brokers will be recommended to clients in view of the type of securities to be traded, and the client services available, including but not limited to whether such broker can provide Lucien, Stirling & Gray Advisory Group, Inc. with electronic or telephone means of executing investment decisions. Currently the firm has a non-exclusive "affinity relationship" with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") under which the firm receives software to facilitate transactions, discounts for clients on certain securities transactions, and discounts on research tools provided by Fidelity and by third-party vendors. The firm does not receive cash compensation from any dealer for recommending its services or using its facilities. The firm does not accept commissions on client transactions. No affiliated person of Lucien, Stirling & Gray Advisory Group, Inc. has any authority to select any broker/dealer with respect to any client transaction without the prior notification and approval of the client. The company will not receive commission in connection with giving of advice to clients, nor will the company compensate any outside person for client referrals.

Lucien, Stirling & Gray Advisory Group, Inc. does not act as broker/dealer and cannot guarantee the execution of any transaction.

(9) Review of Accounts

Accounts are reviewed by the assigned advisor-representative working in conjunction with the assigned supervisor-officer. Supervisory accounts will be reviewed with a frequency commensurate with the investor's profile, objectives, and holdings. Advisors must review accounts at least quarterly, and must meet with their assigned supervisor no less often than annually for the purpose of review of all accounts.

Transactional reports to clients are generated by the custodian dealer(s). Lucien, Stirling & Gray Advisory Group, Inc. does not act as broker/dealer and cannot guarantee the execution of any transaction.

(10) Client Referrals and Other Compensation

Lucien, Stirling & Gray Advisory Group, Inc. does not pay for client referrals and does not accept commissions for referring clients to other professionals.

(11) Custody

The firm will not maintain custody of clients' funds, securities or other property. All investments must be held by qualified custodians (such as dealers, banks, trust companies, etc.) as arranged by the client. Clients should look to those custodians for authoritative reports on holdings and transactions. Information from qualified custodians should be compared carefully with any reports received from the firm.

(12) Investment Discretion

Clients who participate in model portfolio allocations must sign a form providing discretionary authority to allow the firm to maintain their account(s) in line with the model as it may change from time to time. This discretionary authority will extend to the specific securities to be bought or sold, the timing (when to buy/sell), and the amount (how much to buy/sell).

(13) Voting Client Securities

The firm will not vote proxies on behalf of clients.