

# Financial Telesis

YOUR FUTURE INTELLIGENTLY PLANNED



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**March 31, 2012**

**FORM ADV PART 2A BROCHURE**

**This brochure provides information about the qualifications and business practices of Financial Telesis Inc. If you have any questions about the contents of this brochure, please contact us at 415.526.2753. 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 Financial Telesis Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The IARD/CRD number for Financial Telesis Inc. is 31012.**

**Financial Telesis Inc. 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.**

### **New Brochure Replaces Financial Telesis Inc. Form ADV Part II and Schedule F**

The Financial Telesis Inc. brochure is substantially modified from its prior version, and contains new information for the benefit of our clients.

In this "Summary of Material Changes" we discuss only the material changes since the last annual update of this brochure in 2011:

(1) **Redesign.** The Securities and Exchange Commission ("SEC") recently published amendments to the rules for firm brochures. This brochure is redesigned in narrative format and is materially different in its structure. This brochure also contains new information now required by the SEC's new rules.

(2) **Financial Advisor Biography.** Also required is the new Form ADV, Part 2B (each individual's "Financial Advisor Biography") for each investment advisory representative who directly provides advice to clients. Please refer to the Form ADV, Part 2B Financial Advisor Biography, which is a separate document.

(3) **Delivery of Amendments to this Brochure.** In the past Financial Telesis Inc. has offered or delivered information about the firm's qualifications and business practices to clients on at least an annual basis. The brochure is updated at least annually, in order to ensure that it remains current.

Pursuant to new SEC rules, Financial Telesis Inc. will provide each of its clients with a summary of any material changes for subsequent annual updates to brochures by 120 days from FTI's fiscal year end which is December 31st. You will be provided with a new Brochure as necessary based on changes or new information, at any time, without charge or be provided information about how to obtain a brochure.

Due to the changes to this brochure, it is suggested that clients review this document, in its entirety, upon receipt. Clients are also encouraged to review this brochure, and discuss any questions regarding this brochure with Financial Telesis Inc. Compliance Department.

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## **Advisory Business**

Form ADV Part 2A, Item 4

A. Financial Telesis Inc. ("FTI") is a registered broker-dealer and investment advisor, providing services to clients since 1993. James H. Williams is the President and sole owner of FTI.

B. Financial Telesis, Inc. ("FTI") provides the following services:

### **Direct Asset Management**

FTI will structure account portfolios to fit specific clients' objectives and needs utilizing various investment strategies by FTI Investment Advisory Representatives, ("IAR"); within this context, and on an ongoing basis, provide asset allocation and buy and sell recommendations.

### **Asset Management Program Sponsors**

IARs may recommend the use of other independent investment advisors or asset management program sponsors that provide specialized investment advisory services. Accounts managed by these third party advisors will be subject to the cancellation policy of the particular third party asset manager. The asset management program sponsors utilized by FTI include, but are not limited to; Envestnet Asset Management, Inc., Genworth Financial, Lockwood Advisors, Inc., and SEI Investment Management Corporation.

### **Pension Plan Consulting**

FTI may provide comprehensive qualified retirement plan consulting, investment advice and fiduciary due diligence services, employee plan and investment education, asset allocation services, 401(k) proposal and vendor research and analysis to qualified retirement plan sponsors, and business entities.

### **Hourly Consultation**

FTI will provide hourly consulting services to clients, which will include a limited analysis of the client information provided.

### **Financial Planning Services**

FTI will contract with clients for financial planning services. A variety of reports may be prepared for clients, but generally they may be described as "financial plans" for individuals and families or other written project reports. Clients will be encouraged to have their financial plans reviewed and updated annually.

C. Individually managed accounts will be tailored to meet the client's investment goals and objectives. FTI advisors may utilize an investment policy statement that will detail the client's objectives and will include agreed upon investment strategies and limitations.

D. FTI does not engage in wrap fee programs.

E. As of March 1, 2011 FTI manages a total of \$206,750,000.00 on a non discretionary basis and \$0 on a discretionary basis.

## **Fees and Compensation**

Form ADV Part 2A, Item 5

### **A. Direct Asset Management**

Compensation to be provided to FTI will be based upon a percentage of the client assets under management. The determination of fees will be based on the type of account and type of assets in the portfolio as well as breakpoints established for the reduction of fees in relation to the increasing size of the account. Fees will be

payable in quarterly installments in arrears and will be based on the net of the market value on the date the fee accrues and becomes payable. If the investment advisory agreement is canceled, fees will be reimbursed to the client on a pro-rata basis.

#### Investment Management Basic Fee Schedule

Assets Under Management	Fee Per Annum
\$ 0.00 to \$1,000,000	not to exceed 2.0%
\$ 1,000,000 to \$2,000,000	not to exceed 1.5%
\$ 2,000,000 and over	not to exceed 1.0%

The annual fee schedule may be modified at the discretion of the Investment Advisory Representative ("IAR"). The client and IAR will agree to the fees in advance of any services provided. Multiple Accounts of the same client relationship will be aggregated for breakpoint purposes. The client may terminate the Investment Management Agreement without penalty within five business days from the date of the signing of the Investment Management Agreement or at any time thereafter by client or FTI upon thirty days written notice.

#### Asset Management Program Sponsors

IARs may recommend the use of other independent investment advisors or asset management program sponsors that provide specialized investment advisory services. These advisors will charge advisory fees, independent of FTI and a portion of that advisory fee may be paid to FTI.

#### Third Party Asset Management Fees

Third Party Asset Managers will charge advisory fees, independent of FTI and a portion of the advisory fee will be paid to FTI. Each advisory client will receive documentation including a third party asset management agreement and disclosure of compensation, and will receive Part 2A of form ADV from FTI and the third party asset manager.

#### Pension Plan Consulting

Fees for these services will be based on either the market value of the Plan Assets or a flat fee to be agreed upon by both the IAR and client. The fee range for these services is negotiable and may vary according to the facts and circumstances, including the scope of services to be provided, the duration of services and the size of the client (number of employees, plan or individual assets, and other demographic factors).

#### Hourly Consultation

FTI will provide hourly consulting services to clients, which will include a limited analysis of the client information provided. These services will be billed at an hourly rate not to exceed \$350.00 and will be payable monthly, after services have been rendered.

#### Fees For Financial Planning Services

Fees for financial planning services will be according to individual arrangement. Generally, a portion of the fee will be payable in advance with the balance due upon the completion and presentation of the project. There may be an additional charge for the annual review and update of the financial plan. In some cases IARs charge a set-up fee when the client's investment advisory account is opened. Generally the set-up fee, which covers administrative costs, is non-refundable.

B. For the payment of asset management services FTI clients may select to either have their custodial accounts debited for the fee due FTI or to have FTI invoice the client. Generally, fees are paid to FTI on a quarterly basis or on a monthly basis, in arrears or in advance, depending upon the terms of the agreement between FTI and the client. Statements prepared by the custodial broker-dealers will reflect asset management fees that have been debited from client accounts including the percentage charged and fee calculation. Billing invoices prepared by FTI will include the same information.

Fees may be increased, decreased, or waived on an individual basis, but will be agreed upon in advance, between the IAR and client. All fees are made payable to FTI.

Many FTI IARs are also securities Registered Representatives and may earn commissions on investment products in addition to receiving investment advisory fees. This practice may present a conflict of interest. In most cases, commissioned products are not placed under management for at least a twelve month period. Additionally, no load mutual funds are routinely recommended. Clients are under no obligation to purchase investment products that IARs recommend. Clients have the option to purchase investment products that IARs recommend through other brokers or agents that are not affiliated with FTI. Under certain circumstances FTI IARs may or may not offset investment advisory fees with commissions earned depending upon the terms of the investment advisory contract.

For their referrals to various third party providers of investment advisory services FTI IARs may receive certain fee waivers, support services, and compensation for expenses. Clients are under no obligation to engage the services of these third party providers.

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

Form ADV Part 2A, Item 6

Performance Based Fees: FTI does not charge fees based on a share of capital gains on or capital appreciation of the assets of a client.

### ***Types of Clients***

Form ADV Part 2A, Item 7

FTI provides investment advisory services to individuals, pension and profit sharing plans, trusts, corporations and other business entities. FTI does not have a minimum account size however certain third party asset managers require a minimum investment to open an account. The specific amounts are detailed in the third party providers' agreements. Accounts below the stated minimums may be accepted on an individual basis at the discretion of FTI and the platform sponsor.

### ***Methods of Analysis, Investment Strategies and Risk of Loss***

Form ADV Part 2A, Item 8

FTI utilizes methods of analysis and investment strategies, including charting, fundamental, cyclical and technical, in formulating investment advice or managing assets. Clients must be aware that investing in securities involves risk of loss and that each of the strategies listed above may involve material risk of loss.

### ***Disciplinary Information***

Form ADV Part 2A, Item 9

A. Neither FTI or an FTI IAR have been or are currently involved in a criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which FTI or the FTI IAR:

1. has been convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
2. has been the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
3. has been found to have been involved in a violation of an investment-related statute or regulation; or
4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

B. Neither FTI or an FTI IAR have been involved in an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which FTI or an FTI IAR:

1. was found to have caused an investment-related business to lose its authorization to do business; or
2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
  - (a) denying, suspending, or revoking the authorization of FTI or an FTI IAR to act in an investment-related business;
  - (b) barring or suspending FTI or an FTI IARs association with an investment-related business;
  - (c) otherwise significantly limiting FTI or an FTI IARs investment-related activities; or
  - (d) imposing a civil money penalty of more than \$2,500.00 on FTI or an FTI IAR.

C. Neither FTI or an FTI IAR have been the subject of a self-regulatory organization (SRO) proceeding in which FTI or an FTI IAR:

1. was found to have caused an investment-related business to lose its authorization to do business; or
2. was found to have been involved in a violation of the SRO's rules and was:
  - (i) barred or suspended from membership or from association with other members, or was expelled from membership;
  - (ii) otherwise significantly limited from investment-related activities; or
  - (iii) fined more than \$2,500. 00

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

Form ADV Part 2A, Item 10

A. Certain IARs are also securities Registered Representatives with FTI. As such, they are able to sell securities products to investment advisory clients.

B. FTI Advisor Representatives are not registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

C. Certain FTI IARs are involved in the following business activities:

1. independent investment adviser or financial planner
2. accountant or accounting firm
3. lawyer or law firm
4. insurance company or agency
5. pension consultant
6. real estate broker or dealer

All activities are disclosed in writing, to the FTI Compliance Department. IARs may receive compensation from these activities. Clients are not obligated to obtain these services through FTI IARs.

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

Form ADV Part 2A, Item 11

A. FTI maintains a Code of Ethics that describes firm policies and procedures and how FTI conducts business with its clients. FTI clients depend on the firm to be trustworthy, honest and loyal to their interests as provided in FTI's agreements with them and disclosures in the FTI form ADV. Clients expect FTI to protect the confidentiality of their personal and financial information and to provide timely and professional advice in accordance with FTI agreements. Each IAR will receive a copy of the Code and must acknowledge in writing that he or she has received and read it.

Each IAR is expected to strive to act at all time in accordance with fundamental principles of openness, integrity, and honesty. This is in addition to the legal obligations that FTI and its IARs all have to adhere to applicable federal securities laws including the rules and regulations adopted under the Investment Advisers Act.

B. FTI does not generally recommend to clients, or buys or sells for client accounts, securities in which FTI or a related person has a material financial interest, including acting as a general partner in a partnership in which FTI solicits client investments; or FTI or a related person acts as an investment adviser to an investment company that FTI recommend to clients.

C. Occasionally, FTI may recommend that clients buy a security in which FTI or an IAR has also invested in. Additionally, FTI or an associated person of FTI may purchase a security of the same class as securities held in a client's account. It is FTI's policy not to permit associated persons to trade in a manner that takes advantage of price movements caused by clients' transactions.

D. FTI, its officers and IARs may purchase the same securities that are recommended to clients. FTI will put its client's needs first and will follow all related securities regulations in executing the securities trades.

### ***Brokerage Practices***

Form ADV Part 2A, Item 12

A. Clients may specify which broker-dealer to use or the IAR may make recommendations. Generally, these recommendations are based on the IAR's perception of the breadth of services offered, and quality of



execution. However, the client may pay commissions or fees that are higher or lower than those that may be obtained from other broker-dealers for similar services.

1. Research and Other Soft Dollar Benefits. FTI does not engage in soft dollar benefits. FTI does not use client brokerage commissions (or markups or markdowns) to obtain research or other products or services.
2. Directed Brokerage. FTI does not routinely recommend, request or require that a client direct FTI to execute transactions through a specified broker-dealer.

B. FTI IARs don't generally aggregate orders as large blocks of securities aren't typically purchased or sold.

### ***Review of Accounts***

Form ADV Part 2A, Item 13

A. FTI may prepare individualized reports thereby, the nature and frequency are determined by client need and the services offered. However, as clients may request, FTI may provide quarterly or semi-annual reports.

B. Direct Asset Management accounts are reviewed on a quarterly or semi-annual basis. Any material changes to a client's investment option may trigger a review. Account reviews are conducted by the designated investment adviser professional primarily responsible for each account.

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

Form ADV Part 2A, Item 14

A. FTI does not engage in activity with non-clients to gain economic benefits including sales awards or other prizes.

B. FTI is a registered broker-dealer and an investment advisor. When making investment recommendations, an inherent conflict of interest may exist in that IARs may receive securities commissions in addition to investment advisory fees.

Investment advisory fees may or may not be offset with commissions depending upon the terms of the investment advisory agreement.

In addition to the fees charged by FTI, each mutual fund company in which a client's funds may be invested, utilizes fees paid by the investors that are deducted from the mutual fund's assets. These fees, called 12b-1 fees, pay for marketing and distribution expenses, such as brokers' commissions. The fees are categorized as annual operating expenses. Rule 12b-1 fees are disclosed in a mutual fund's prospectus and typically are less than 1 percent. Such fees may create a conflict of interest as the IAR may receive a 12b-1 fee in addition to the investment advisory fee. Fees will be fully disclosed to clients and clients are under no obligation to purchase these securities through the IAR or FTI.

C. FTI acts as a referring agent and may also pay referral fees to solicitors who recommend clients to FTI. These arrangements are fully disclosed to clients in writing.

### ***Custody***

Form ADV Part 2A, Item 15

FTI does not maintain custody of client funds or securities.

### ***Investment Discretion***

Form ADV Part 2A, Item 16

FTI may maintain a limited power of attorney in certain client accounts. The limited power of attorney will allow FTI to purchase and sell securities in client accounts and to make a determination of the number of shares to be purchased or sold. FTI will discuss with clients in advance, their initial investment objectives and decisions regarding securities to be purchased. Thereafter, FTI, with the limited power of attorney, will make decisions regarding the appropriate time to purchase the securities according to the client's objectives.

### ***Voting Client Securities***

Form ADV Part 2A, Item 17

A. FTI does not have nor will accept authority to vote client securities.

B. FTI requests that clients engage another party to determine how proxies should be voted. FTI does not provide proxy voting services to its clients.

### ***Financial Information***

Form ADV Part 2A, Item 18

FTI does not require or solicit pre-payment of fees in excess of \$1,200 and more than six months in advance. Therefore, FTI is not required to file financial information with the Securities & Exchange Commission.

### ***Requirements for State-Registered Advisers***

Form ADV Part 2A, Item 19

FTI is registered with the Securities & Exchange Commission and is Notice Filed in the state of California and therefore this section does not apply.

### ***Additional Information***

IARS will be required to meet the registration and qualification requirements required by the specific states where FTI conducts its advisory business.

In accordance with federal requirements FTI maintains a Business Continuity Plan that describes what steps will be taken to ensure the continuity of our business operation in the event of an unanticipated disaster. The plan has been designed with procedures to ensure that client documentation will be accessible and that contact between FTI and its clients will be sustained. If you would like to receive a copy of the FTI Business Continuity Plan please contact your IAR.