

# ***Zephyr Investment Management***

***3625 E. Thousand Oaks Boulevard  
Suite 145***

***Westlake Village, CA 91362  
805.496.6810***

***[www.zephyrim.com](http://www.zephyrim.com)***

## ***Disclosure Brochure***

***March 26, 2012***

This brochure provides information about the qualifications and business practices of Zephyr Investment Management. If you have any questions about the contents of this brochure, please contact us at 805.496.6810. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Zephyr Investment Management is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain that adviser.

Additional information about Zephyr Investment Management also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Material Changes

Material changes have been made to our Brochure since it was published March 21, 2011:

We have a new fee schedule for our Business Cycle Asset Management (“BCAM”). These fees are described in the Fees and Compensation section of this Brochure, starting on page 5.

We offer or deliver information about our qualifications and business practices to clients on an annual basis. We will provide updated disclosure information reflecting material changes on a more frequent basis. Any summaries of changes will include the date of the last update of our brochure.

Our current brochure may be requested by contacting Marsha L. Roubidoux, President/Chief Investment Strategist, by phone at 805.496.6810, or my e-mail at [mroubidoux@zephyrim.com](mailto:mroubidoux@zephyrim.com).

We will provide you with a new brochure at any time without charge.

Additional information about us and about persons affiliated with us who are registered as our investment adviser representatives (“your advisory representative”) is also available via the SEC’s website, at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Information regarding your advisory representative can also be found in the supplement to this brochure on the page shown in the table of contents to the right of this column.

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## ***Advisory Business***

Zephyr, which is located in Westlake Village, California, is a corporation organized under the laws of the State of California. Marsha Roubidoux founded our firm in 1997 and she is one of the trustees of the Nolan-Roubidoux Trust, which is our principal owner. We are currently registered as an investment advisory firm with the SEC.

### *Investment Management Services*

Our investment advisory services are primarily focused on the management of client investment portfolios. The transactions we execute for client accounts are effected on both a discretionary basis (meaning that we are authorized to effect transactions for the accounts of our clients without obtaining their prior approval each for individual transaction) and a non-discretionary basis (meaning that we must obtain the specific prior approval of the client before we can effect a transaction for the client's account).

When we establish a relationship with you, we will meet with you and will undertake to determine your financial situation, investment objectives, and risk tolerances through an initial interview and having you complete a data gathering questionnaire. Based upon the information you provide, we identify what we believe to be the best investment options for you.

We will review our investment recommendations with you and obtain direction from you as to whether to manage your account on a discretionary or a non-discretionary basis. We provide you with the opportunity to impose reasonable restrictions on our management of your account. These restrictions pertain to (among other things) the types of securities to be purchased for your account and the amounts to be invested in particular investments.

We will invest your assets using one of three investment models. Although we use models as the foundation for investment decisions, your specific account will be managed based on your individual financial circumstances, investment objectives, and risk tolerances.

### *Business Cycle Asset Management*

We provide investment supervisory services under a program called Business Cycle Asset Management ("BCAM") utilizing a strategy of following the economy as it flows through a series of naturally-occurring stages in the business cycle. Our BCAM strategy is built to take advantage of all stages of the business cycle. Studies show that various investments provide significantly different results dependent upon where we are in the economic and market cycles. Understanding these cycles provides the foundation from which we make investment decisions.

BCAM assesses and anticipates business cycles common in our economy by analyzing economic and market indicators. We then allocate investments in the sectors or asset classes that we believe make the most sense for the stage of the economic cycle we are entering. We then adjust your account holdings to take advantage of anticipated changes in that cycle.

We analyze market trends utilizing fundamental and technical (charting) analysis, as well as our own proprietary indicators. BCAM seeks to enhance asset appreciation and reduce risk by increasing or decreasing the amount of assets placed in multiple investment categories. Our goal is to focus your account in those sectors/asset classes that we believe show the potential for appreciation and avoid those that we believe show the potential for lower value.

In managing your investment portfolio, we consider your:

- financial situation,
- risk tolerance,
- investment horizon,
- liquidity needs,
- tax considerations,
- investment objectives, and
- any other issues important to your state of affairs.

You should notify us promptly if there are any changes in your financial situation or investment objectives or if

you wish to impose any reasonable restrictions upon the management of your account.

As of December 31, 2011, we managed approximately \$53.2 million in client assets where we made all of the investment decisions. Approximately \$7.8 million in client assets were managed where our clients made the investment decisions based upon our recommendations.

Your advisory representative will arrange to contact you annually to review the performance of your investment account and to recommend any changes that appear appropriate based on economic or market conditions, or changes to your financial situation, investment objectives, or risk tolerances. It is your responsibility to notify your advisory representative any time changes in your personal circumstances occur. You may call in at any time during normal business hours to discuss your account, your financial situation, or your investment needs directly with your advisory representative.

### *Portfolio Builder*

We provide both discretionary and non-discretionary investment management for smaller accounts under a program called Portfolio Builder. Under the Portfolio Builder Program, we review your investment account on an on-going basis and recommend changes as we believe appropriate. Investments under the Portfolio Builder program generally

include mutual funds and variable annuities, but may include other types of investments.

### *Genworth Financial Wealth Management*

The Genworth Financial Wealth Management Platform ("Genworth") is an investment model sponsored by Genworth Financial Management, Inc. ("GFMI"). Genworth provides a selection of asset allocation model portfolios comprised primarily of mutual funds and exchange traded funds ("ETFs"). We will work with you to select a model portfolio that is consistent with your investment objectives and risk tolerances. Genworth will manage your account in accordance with the model you select and will not provide individual advice to you.

Genworth's investment strategists select and monitor the performance of underlying investments for each model and periodically adjust and rebalance those portfolios.

While specific investment decisions under each model are made by Genworth, you must specifically approve the selection of each model and any changes in the models used. Should you choose to place restrictions on the account you establish through Genworth, your account will become a custom portfolio and will only be rebalanced upon your specific instructions.

GFMI provides a variety of investment

advisory services to us, including account administration, fee billing, and client reporting. The Genworth program is a "wrap fee" program, meaning that the advisory fee you pay covers our advisory fee and all brokerage commissions and other trading costs associated with transactions effected by Genworth. A complete description of Genworth and services provided by GFMI, including the fees charged, the payment structure, termination provisions and other aspects of each model are detailed and disclosed in Genworth's Wrap Fee Program Brochure. Copies of all disclosure documents will be provided to you at no charge if you are interested in Genworth.

### *Financial Planning*

We consider adequate financial planning an important aspect of the asset management process. We will provide various levels of financial planning as part of our advisory services. Financial planning includes, but is not limited to retirement planning, goal planning, tax review, estate plan review, and insurance review.

### *Consulting Services*

We will also provide consulting services to you if you desire a review of a specified financial planning area but do not wish to engage us for investment management services.

### *Seminars*

On occasion we hold seminars that may include presentations on various securities and insurance products, or on financial planning strategies.

## ***Fees and Compensation***

### *Fees for Investment Management*

Required by §260.235.2 Code of California Regulation:

“A conflict exists between the interests of the investment adviser or associated persons and the interest of the client; the client is under no obligation to act upon the investment adviser's or associated person's recommendation; if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser, the associated person when the person is an agent with a licensed broker-dealer or through any associate or affiliate of such person. Lower fees for comparable services may be available from other sources.”

We offer our services on a fee-only basis. Our fee is calculated based upon the market value of the assets in your account on the last day of the previous quarter.

Broker-dealers and other financial institutions that hold client accounts are referred to as custodians (“custodian/broker-dealer”). Your custodian/broker-dealer determines the values of the assets in your portfolio.

Fees for the initial quarter are based on the value of your account on the date the custodian/broker-dealer receives them. Those fees are prorated based upon the number of calendar days in the calendar quarter that our agreement is in effect.

### *Portfolio Builder*

Fees for Portfolio Builder are computed at a percentage of assets under management, generally at 1% per annum. This program is generally recommended for accounts with assets valued at under \$200,000.

### *Genworth*

Genworth’s Wrap Fee Program Brochure describes all fees associated with that program. We will provide you with copies of those documents if you are interested in the Genworth program.

### *BCAM*

The fee schedule for BCAM is described below:

#### **Assets under Management Advisory Fee<sup>1</sup>**

First \$250,000	1.50%
Next \$250,001 - \$500,000	1.25%
Next \$500,001 - 1,000,000	1.00%
Next \$1,000,001 +	Negotiable

<sup>1</sup>All fees are negotiable at our sole discretion.

One-fourth of our fee is charged each calendar quarter in advance.

You may elect to either have our advisory fees directly withdrawn and paid to us from your account or to have us bill you for our services. If you elect to have us withdraw our advisory fees directly from your account, we will do so in advance of providing advisory services to you. Our advisory fee will be calculated for each quarter based on the value of your account as of the last day of the preceding quarter. Our initial fee is payable when your account is established and is pro-rated over the number of days in that quarter that we will provide advisory services to you.

If you authorize us to have your custodian/broker-dealer pay us directly by charging your account, this authorization must be provided in writing.

Both we and your custodian/broker-dealer will provide you with statements that show the amount of the advisory fees paid directly to us. You should compare the statement we send you to the statement your custodian/broker-dealer's statement sends to you and verify the calculation of our fees. Your custodian/broker-dealer does not verify the accuracy of fee calculations.

If you choose to be billed for our services, we will bill you "in advance," meaning that we will bill you before we have provided our services to you. Our fee will be based upon the value of your

account as of the last business day of the preceding quarter. Our initial fee will be pro-rated based on the number of days in the quarter that we provided advisory services to you. All fees are due within 20 days of the invoice date. If your payment is not received within 45 days then the custodian will withdraw the fees directly from your account as indicated in your advisory agreement.

We will send a statement to you that includes the value of your investments, the amount of the advisory fee we charged, and how our fee was calculated. You should review our calculations to ensure that they appear accurate

In addition to our advisory fees, you may be required to pay other charges, such as:

- custodial fees,
- brokerage commissions,
- transaction fees,
- internal fees and expenses charged by mutual funds or ETFs, and
- other fees and taxes on brokerage accounts and securities transactions.

Mutual fund companies, ETFs, and variable annuity issuers charge internal fees and expenses for their products. These fees and expenses are in addition to any advisory fees charged by us. Complete details of these internal fees and expenses are explained in the prospectuses for each investment. You are strongly encouraged to read these documents before making or authorizing any investments. We are available to

answer any questions you have about fees and expenses.

If you purchase mutual funds through your custodian/broker-dealer, you may pay a transaction fee that would not be charged if the transactions were made directly through the mutual fund company. Mutual funds held in accounts at brokerage firms may pay internal fees that are different from mutual funds held at the mutual fund company. You may purchase shares of mutual funds directly from the mutual fund company without a transaction fee.

Please be sure to read the section entitled “Brokerage Practices,” which follows later in this brochure.

#### *Fees for Financial Planning*

If your account is valued at or between \$100,000 and \$200,000, we provide one hour of financial planning at no additional cost. If your account is valued between \$200,000 and \$500,000, we provide five hours of financial planning at no additional cost. Any additional time spent on financial planning will be charged at the rate of \$200 per hour. We provide comprehensive financial planning at no additional cost to you if your account is valued at greater than \$500,000.

#### *Fees for Consulting Services*

We provide consulting services for review of a specified financial planning subject at a rate of \$200 per hour. These

fees are billed monthly basis based on actual time we spent.

#### *Seminars*

No fee is charged for attending our seminars.

Either of us may terminate our advisory agreement within five (5) business days’ written notice. Should either one of us terminate the advisory agreement we have entered into before the end of a billing period, any unearned fees that we have deducted from your account in advance will be returned to you by us. The amount refunded to you is calculated by dividing the most recent advisory fee you paid by the total number of days in the quarter. This daily fee is then multiplied by the number of calendar days in the quarter that our agreement was in effect. This amount, which equals the amount we earned for the partial quarter, is subtracted from the total fee you paid in advance, less any quarterly or transaction fees, to determine your refund.

Our advisory representatives may also be registered representatives and investment adviser representatives of FSC Securities Corporation (“FSC”). FSC is a registered broker/dealer that is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). FSC is also registered as an investment adviser with the SEC.



If you choose to implement your financial plan through FSC, commissions may be earned by your financial advisor in addition to any fees you pay for advisory services. In addition, your financial adviser may receive compensation from the sale of mutual fund products sold to you (such as so-called “12b-1 fees”, which are fees paid to cover promotion, distributions, marketing expenses). Mutual funds include these fees in the calculation of their operating expenses.

Our advisory representatives may also be licensed with various insurance companies to sell insurance products. Commissions may be earned by your financial advisor if insurance products are sold to you through these insurance companies.

Our advisory representatives may also recommend various asset management firms through their affiliation with FSC. If you establish an investment advisory relationship with one of those firms, we and your financial adviser may share in the advisory fees you pay.

The above arrangements present a conflict of interest because they create an incentive for us to make recommendations based upon the amount of compensation we receive rather than based upon your needs.

To address these conflicts of interest, we will explain the specific costs associated with any recommended investments with you upon request. Additionally, we may

recommend that you purchase certain no-load and load-waived mutual funds to further address these conflicts of interest. You always have the option to purchase investment and insurance products through other brokers or agents who are not affiliated with us.

### ***Performance-Based Fees***

Performance-based fees are designed to give a portion of the returns of an investment to the investment adviser as a reward for positive performance. The fee is generally based on a percentage of capital gains on or appreciation of the client account assets. We do not charge performance-based fees on any of our client accounts.

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

We provide advisory services primarily to individuals and families, including their trusts, estates and retirement accounts. We also provide services to corporations or business entities including their pension and profit sharing plans.

As a condition for starting and maintaining an advisory relationship, our minimum initial investment requirement is \$200,000. However, a Portfolio Builder account will be accepted with a minimum of \$25,000.

We, at our sole discretion, may permit you to establish accounts with initial investment amounts less than this minimum. We make this determination based upon various factors such as your

anticipated future earning capacity, anticipated future additional investment assets, your account composition, related accounts, and pre-existing relationships with you. We may consider the accounts of your family members to determine if your account meets the minimum investment requirement.

The minimum investment requirement for Genworth is \$50,000 for mutual fund accounts and \$100,000 for ETF accounts. We have no authority to alter these minimum requirements.

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

We select specific investments for your account through the use of fundamental analysis, cyclical analysis and technical (charting) analysis.

Our fundamental analysis is a method of evaluating several characteristics of the investments we recommend (e.g., mutual funds, ETFs or variable annuity sub-accounts), including, among others:

- investment objectives (e.g., growth, income, capital preservation);
- investment type (e.g., large cap value stocks, small cap growth stocks, bonds);
- past performance;
- management tenure;
- fees and other expenses; and
- holdings.

Our cyclical analysis is a form of fundamental analysis that evaluates the various stages of the economic cycle. Decisions regarding whether to purchase or sell particular investments are made based on how those investments perform during economic downturns and upswings. We closely monitor the level, direction and rate of change of a wide variety of economic variables so that we can determine where we are in a given cycle.

Our technical analysis is a method of evaluating activity, such as the price movement and trading volume of various market indices. As technical analysts we do not attempt to measure an investment's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future performance.

Charting involves identifying patterns in the prices of investments and market indices that can suggest future activity in price movements. A chart pattern is a distinct formation that provides an indicator of future price movements. Chartists use these patterns to identify current trends and trend reversals that can trigger buy and sell signals.

Although we manage your portfolio in a manner consistent with your specific risk tolerances, there can be no guarantee that our efforts will be successful. General economic conditions, current interest rates, the performance of a particular industry or a particular

company, and any number of other factors can affect investment performance.

You should be prepared to bear the risk of loss. All investments bear the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings.

Our investment strategies may include long-term and short-term purchases and sales, and trading. As previously noted, you may place reasonable restrictions on the strategies to be employed and the types of investments to be held in your account.

### ***Disciplinary Information***

We have not been the subject of any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management.

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

As explained under “Fees and Conditions” above, our advisory representatives may be licensed as registered representatives and advisory representatives with FSC. They also may be licensed as an insurance agent with various insurance companies. These arrangements present a conflict of interest because they create an incentive to make recommendations based upon

the amount of compensation we can receive rather than based upon your needs.

As previously noted, we will explain the specific costs associated with any recommended investments with you upon request. We also recommend no-load and load-waived mutual funds to further reduce conflicts of interest. You have the option to purchase investment and insurance products through other brokers or agents who are not affiliated with us.

Our advisory representatives may also recommend various asset management firms through their affiliation with FSC. If you establish an investment advisory relationship with one of those firms, we and our financial advisors may share in the advisory fees you pay to these asset management firms.

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

We have adopted a *Code of Ethics* (“*Code*”) to address the securities-related conduct of our advisory representatives and employees. The *Code* includes our policies and procedures developed to protect your interests in relation to the following:

- the duty at all times to place your interests ahead of ours;
- that all personal securities transactions of our advisory representatives and employees be

conducted in a manner consistent with the *Code* and avoid any actual or potential conflict of interest, or any abuse of an advisory representative's or employee's position of trust and responsibility;

- that advisory representatives may not take inappropriate advantage of their positions;
- that information concerning the identity of your security holdings and financial circumstances are confidential; and
- that independence in the investment decision-making process is paramount.

We will provide a copy of the *Code* to you or any prospective client upon request.

We do not buy or sell securities for our own account that we also recommend to you. Your adviser is, however, permitted to buy or sell the same securities for his/her personal and family accounts that are bought or sold for your account. This may raise potential conflicts of interest when your adviser purchases or sells a security that is:

- owned by you, or
- is being considered for purchase or sale for your account.

We have adopted policies and procedures that are intended address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in your best interests,
- prohibit favoring one client over another, and
- provide for the review of transactions to discover and correct any same-day trades that result in an advisory representative or employee receiving a better price than a client.

Advisory representatives and employees must follow our procedures when purchasing or selling the same securities purchased or sold for your account.

### ***Brokerage Practices***

We recommend that the broker-dealer/custodian for your account be TD Ameritrade, Inc. ("TD Ameritrade").

We are independently owned and operated and not affiliated with TD Ameritrade. Our use of TD Ameritrade is, however, a beneficial business arrangement for us and for TD Ameritrade. Information regarding the benefits of this relationship is described below.

In recommending TD Ameritrade as your custodian/broker-dealer, we consider, at a minimum, its:

- existing relationship with us,
- financial strength,
- reputation,
- reporting capabilities,
- execution capabilities,
- pricing, and

- types and quality of research.

The determining factor in the selection of TD Ameritrade to execute transactions for your accounts is not the lowest possible transaction cost, but whether TD Ameritrade can provide what is in our view the best qualitative execution for your account.

TD Ameritrade provides us with access to its institutional trading and custody services, which includes:

- brokerage,
- custody,
- research, and
- access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

We are not required to effect a minimum volume of transactions or maintain a minimum dollar amount of client assets to receive these services.

TD Ameritrade does not charge separately for holding our clients accounts, but may be compensated through other transaction-related fees associated with the securities transactions it executes the accounts of our clients.

TD Ameritrade also makes available to us other products and services that benefit us but may not benefit you directly. Some of these products and

services assist us in managing and administering our client accounts, such as software and other technology that:

- provide access to account data such as:
  - duplicate trade confirmations,
  - bundled duplicate account statements, and
  - access to an electronic communication network for client order entry and account information;
- facilitate trade execution, including:
  - access to a trading desk exclusively serving investment advisers, and
  - access to bunched trading which provides the ability to combine securities transactions and then allocate the appropriate number of shares to each individual account;
- provide research, pricing information and other market data;
- facilitate payment of our fees from client accounts; and
- assist with back-office functions, record keeping and client reporting; and
- receipt of compliance publications.

TD Ameritrade also makes available to us other services intended to help us manage and further develop our business. These services may include:

- consulting,
- publications and conferences on practice management,

- information technology,
- business succession,
- regulatory compliance, and
- marketing.

TD Ameritrade may discount or waive the fees it would otherwise charge for some or all of these services. It may also arrange for certain of these services to be provided to us by independent third-parties. In that regard, TD Ameritrade may pay all or a part of the fees of the third-party providing these services to us. Thus, we receive economic benefits as a result of our relationship with TD Ameritrade because we do not have to produce or purchase the products and services listed above.

Because the amount of our compensation or the products or services we receive may vary depending on the custodian/broker-dealer we recommend to be used by our clients, we may have a conflict of interest in making that recommendation. Our recommendation of TD Ameritrade may be based in part on the economic benefit to us and not solely on the nature, cost or quality of custody and brokerage services provided to you and our other clients. We nonetheless strive to act in your best interests at all times.

Commissions and other fees for transactions executed through TD Ameritrade may be higher than commissions and other fees available if you use another custodian/broker-dealer to execute transactions and maintain custody of your account. We believe,

however, that the overall level of services and support provided to our clients by TD Ameritrade outweighs the benefit of possibly lower transactions cost which may be available under other brokerage arrangements.

Many of the services described above may be used to benefit all or a substantial number of our clients, including clients whose accounts are not maintained through TD Ameritrade. We do not attempt to allocate these benefits to specific clients.

You may direct us in writing to use a particular broker-dealer to execute some or all of the transactions for your account. If you do so, you are responsible for negotiating the terms and arrangements for the account with that broker-dealer. We may not be able to negotiate commissions, obtain volume discounts, or best execution of transactions effected through that broker-dealer. In addition, under these circumstances a difference may exist between the commissions charged to you and other clients who do not direct us to use a particular broker-dealer.

We may execute certain transactions for your account through the use of “bunched trades” (the purchase or sale of a security for the accounts of multiple clients in a single transaction). If a bunched trade is executed, you and each other participating client will receive a price that represents the average of the prices at which all of the transactions in a given bunch were executed.

Executing a bunched trade allows transaction costs to be shared equally and on a pro rata basis among all of the participating clients. If the order is not completely filled, the securities purchased or sold are distributed among you and other participating clients on a pro rata basis or in some other equitable manner.

Bunched trades are placed only when we reasonably believe that the combination of the transactions provides better prices for you and other clients than had individual transactions been placed for your accounts. If your account is managed on a non-discretionary basis, transactions for your account will not be bunched with transactions for client accounts managed on a discretionary basis.

Transactions for the account of your adviser (as well as the accounts of our other investment advisory representatives and employees) may be included in bunched trades. They will receive the same average price and pay the same commissions and other transaction costs, as you will.

Transactions for the accounts of your adviser (as well as our other investment advisory representatives and employees) will not be favored over transactions for your account.

We are not obligated to include your account or the accounts of any other client account in a bunched trade. Bunched trades will not be effected for any client's account if doing so is

prohibited or otherwise inconsistent with that client's investment advisory agreement. No client will be favored over any other client

## ***Review of Accounts***

We review your account on an on-going basis with a formal review conducted on at least an annual basis (or as agreed upon with you). Our reviews focus on the consistency of portfolio investments with your stated objectives and risk tolerances.

Our reviews also consider investment restrictions you have requested, your investment time horizons, your liquidity needs, your tax considerations and other circumstances unique to you. We may review your account more frequently if we believe that market conditions or your personal circumstances warrant it.

On a quarterly basis, we review the performance of your account to monitor consistency with market benchmarks that we deem applicable. Account reviews may also be triggered by other factors such as changes in general economic and market conditions, analyst reports, issuer news and interest rate movement. Marsha Roubidoux, President/Chief Investment Strategist, and Cheryl Munoz, Vice President/Portfolio Manager, are responsible for all reviews.

You will receive statements from the TD Ameritrade at least quarterly. These statements identify your current investment holdings, the cost of each of

those investments, and their current market values. You will also receive performance analysis reports prepared by us which describe the returns realized on the investments in your account.

We do not provide you with on-going reviews or reports relating to the financial planning services we provide unless you request that we do so. We recommend that you review your financial goals and investment objectives on at least an annual basis.

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

We do not directly or indirectly compensate any person who is not one of our advisory representatives or employees for client referrals.

As described above, we receive certain economic benefits as a result of our participation in TD Ameritrade's institutional program. Those benefits are described in detail in the preceding section entitled "Brokerage Practices."

### ***Custody***

You will receive statements from TD Ameritrade on at least a quarterly basis. We urge you to carefully review these statements and compare them to the account statements that we provide to you. You should verify that the transactions in your account are consistent with your investment goals and the objectives for your account. We also encourage you to contact your

advisory representative or our Chief Compliance Officer should you have any questions or concerns regarding your account.

### ***Investment Discretion***

As previously noted, we offer our advisory services in the BCAM program on a discretionary basis, meaning that we do not need advance approval from you to determine the type and amount of securities to be bought and sold for your accounts. We may only exercise discretion if you have provided that authority to us in writing. This authorization is typically included in the investment advisory agreement you enter into with us.

We do not, however, have the ability to choose the broker-dealer through which transactions will be executed.

Additionally, we do not have the ability to withdraw funds from your account (other than to withdraw our advisory fees which, may only be done with your prior written authorization).

Discretion is used in your account a manner consistent with your stated investment objectives.

We do not exercise discretion in Portfolio Builder accounts unless authorized in writing by the client.

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

We do not take any action or give any advice with respect to voting of proxies



solicited by or with respect to the issuers of securities in which your account may be invested. In addition, we do not take any action or give any advice with respect to any securities held in any accounts that are named in or subject to class action lawsuits. We will, however, forward to you any information received by us regarding proxies and class action legal matters involving any securities held in your account.

### ***Financial Information***

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you. We have not been the subject of a bankruptcy proceeding.

Marsha Roubidoux, CFP  
*Zephyr Investment Management*  
*3625 E. Thousand Oaks Boulevard*  
*Suite 145*  
*Westlake Village, CA*  
*91362*  
*805.496.6810*

*www.zephyrim.com*

## Brochure Supplement

March 26, 2012

This brochure supplement provides information about Marsha Roubidoux that supplements the brochure for Zephyr Investment Management. You should have received a copy of that brochure. Please contact Marsha Roubidoux, President, if you did not receive a copy of our brochure or if you have any questions about the contents of this supplement.

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

## **Educational Background and Business Experience**

Marsha Roubidoux

*Year of birth:* 1950

*Formal education:*

- Pierce Adult College, 1993, A.A. (Business)

*Business background:*

- Zephyr Investment Management, - President/Chief Investment Strategist (04/98 – Present)
- FSC Securities Corporation – Registered Representative and Advisory Representative; (06/98 – Present )
- Financial Network - Registered Representative (04/84 – 06/98)

*Professional designation(s):*

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

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard

of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States. To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Bachelor’s Degree (or higher) from an accredited college university;
- Three years of full-time personal financial planning experience;
- Completion of a comprehensive program of study;
- Successful passing of a 10-hour exam; and
- Consent to be bound by the Standards of Professional Conduct, the ethical and practice standards for CFP® professionals.

After certification, continued use of the designation mandates 30 hours of continuing education every two years and on-going commitment to the ethics and practice standards.

## **Disciplinary Information**

Ms. Roubidoux has not been the subject of any legal or disciplinary event.

## ***Other Business Activities***

In addition to her association with Zephyr, Ms. Roubidoux is:

- an investment advisory representative of FSC Securities Corporation (a registered investment adviser);
- a registered representative and registered principle of FSC Securities Corporation (a registered broker/dealer); and
- a licensed insurance agent.

You are not required to do business with Ms. Roubidoux in any of these capacities.

As a registered representative of a broker-dealer, Ms. Roubidoux may receive commissions or other compensation from the sale of mutual funds or other products to you. For example, Ms. Roubidoux may receive “12b-1 fees” (which are fees paid by mutual fund companies for the on-going marketing of their investment products). This additional compensation may present a conflict of interest because it creates an incentive to recommend certain investments over others that may not offer similar compensation.

Ms. Roubidoux may also earn commissions from insurance products you purchase from her. You are under no obligation to purchase such products from her.

## ***Supervision***

Ms. Roubidoux is the President and Chief Compliance Officer of Zephyr, and the trustee of the principal owner. She is bound by the firm’s Code of Ethics, its Compliance Procedures, the Standards of Professional Conduct, and the investment advisory agreements with each client. Ms. Roubidoux may be reached at 805.496.6810.

Cheryl Munoz, CFA  
*Zephyr Investment Management*  
*3625 E. Thousand Oaks Boulevard*  
*Suite 145*  
*Westlake Village, CA*  
*91362*  
*805.496.6810*

*www.zephyrim.com*

## Brochure Supplement

March 26, 2012

This brochure supplement provides information about Cheryl Munoz that supplements the brochure for Zephyr Investment Management. You should have received a copy of that brochure. Please contact Marsha Roubidoux, President, if you did not receive a copy of our brochure or if you have any questions about the contents of this supplement.

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

## **Educational Background and Business Experience**

Cheryl Munoz

*Year of birth:* 1973

*Formal education:*

- Cal State University – Northridge, 1997, B.A. (Music)
- Pepperdine University, 2006, M.B.A. (Finance)

*Business background:*

- Zephyr Investment Management, - Vice President/Portfolio Manager and Advisory Representative (04/98 – Present)
- FSC Securities Corporation – Registered Representative; (06/98 – Present )
- Erwin Marine & Marsha Roubidoux - Administrator (06/96 – 04/98)

*Professional Designations:*

**CFA - The Chartered Financial Analyst** designation, or CFA charter, is granted by the CFA Institute and has become a respected and recognized investment credential.

To earn a CFA charter, you must have four years of qualified investment work experience, become a member of CFA Institute become a member of CFA Institute, pledge to adhere to Code of Ethics and Standards of Professional

Conduct on an annual basis, apply for membership to a local CFA member society, and complete the CFA Program.

The CFA Program is organized into three levels, each culminating in a six-hour exam. Completing the program takes most candidates between two and five years.

## **Disciplinary Information**

Ms. Munoz has not been the subject of any legal or disciplinary event.

## **Other Business Activities**

In addition to her association with Zephyr, Ms. Munoz is:

- a registered representative and registered principle of FSC Securities Corporation (a registered broker/dealer); and

You are not required to do business with Ms. Munoz in any of these capacities.

As a registered representative of a broker-dealer, Ms. Munoz may receive commissions or other compensation from the sale of mutual funds or other products to you. For example, Ms. Munoz may receive “12b-1 fees” (which are fees paid by mutual fund companies for the on-going marketing of their investment products). This additional compensation may present a conflict of interest because it creates an incentive to recommend certain investments over

others that may not offer similar compensation.

Ms. Munoz may also earn commissions from insurance products you purchase from her. You are under no obligation to purchase such products from her.

## ***Supervision***

Ms. Munoz is supervised by Marsha Roubidoux, President/Chief Investment Strategist. Ms. Roubidoux can be reached at 805.496.6810.

We supervise Ms. Munoz by requiring that she adhere to our processes and procedures as described in our *Code of Ethics*. We will monitor the advice that Ms. Munoz gives to you by performing the following reviews:

- A review of relevant account opening documentation when your relationship with us is established
- A daily review of account transactions,
- Review custodial information on a quarterly basis to assess account activity,
- Perform annual oversight so that Mr. Munoz is aware of your current financial situation, objectives, and individual investment needs
- A review of client correspondence on an as needed basis.