

# Independent Financial Advisors, LLC

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## **Brochure** **Dated 02/13/2012**

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This brochure provides information about the qualifications and business practices of Independent Financial Advisors, LLC (the "Registrant"). If you have any questions about the contents of this brochure, please contact us at (951) 328-0894 or [howell@ifadvisors.com](mailto:howell@ifadvisors.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.

Additional information about Independent Financial Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Independent Financial Advisors, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training

## **Item 2                      Material Changes**

The following material changes have occurred since March 8, 2011, the date when Independent Financial Advisors, LLC last updated this Form ADV Part 2A disclosure brochure:

### Fees and Compensation

Independent Financial Advisors, LLC has changed its billing process from ten (10) business days prior to the beginning of the new billing quarter to on the last business day of the month prior to the beginning of the new billing quarter.

Please see page 6, paragraph D of this disclosure brochure for additional information.

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

- A. The Registrant is a limited liability company formed on February 9, 2000 in the State of California. The Registrant became registered as an Investment Adviser Firm in April 2000. The Registrant's principal owners are James Daley Roorda, Richard Douglas Piquet and Robert M. Bessee, Jr. Mr. Roorda is the Registrant's Managing Member.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts and pension and profit sharing plans, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can decide to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee-only basis. Prior to engaging the Registrant to provide investment advisory services, clients are generally required to enter into an Investment Advisory Agreement with Registrant setting forth the terms and conditions of the engagement.

Neither the Registrant nor the client may assign the Investment Advisory Agreement without the prior written consent of the other party. Transactions that do not result in a change of actual control or management of the Registrant shall not be considered an assignment.

**Independent Managers.** The Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated assets.

The Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation, and client investment objectives. Factors which the Registrant shall consider in recommending Independent Manager[s] include the client's designated investment objective(s) and the Independent Managers[s] management style, performance, reputation, financial strength, reporting, pricing, and research.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES**

To the extent requested by a client, the Registrant may provide a broad range of financial planning and/or consulting services (including investment and non-investment related matters on a stand-alone separate fee basis.

Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with Registrant setting forth the

terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services.

Neither the Registrant nor the client may assign the Financial Planning and Consulting Agreement without the prior written consent of the other party. Transactions that do not result in a change of actual control or management of the Registrant shall not be considered an assignment.

If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant's representatives in their individual capacities as accountants. (See disclosure at Items 10 C.6 and 10 C.9). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement or Financial Planning and Consulting Agreement. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the Investment Advisory Agreement or Financial Planning and Consulting Agreement shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2011, the Registrant had approximately \$69,000,000 in assets under management on a discretionary basis and \$9,000,000 on a non-discretionary basis. Total assets under management as of December 31, 2011 were approximately \$69,000,000.

## Item 5                      Fees and Compensation

- E.     The client can decide to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee-only basis and/or Financial Planning and consulting services on a stand-alone fee basis.

### INVESTMENT ADVISORY SERVICES

If a client decides to engage the Registrant to provide discretionary or non-discretionary investment advisory services on a fee-only basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management (between 0.75% and 1.25%) as follows:

<u>Assets Under Management</u>	<u>Annual %</u>	<u>Quarterly %</u>
First \$500,000	1.25%	0.3125%
Next \$2,000,000	1.00	0.25%
Next \$2,500,000	0.75%	0.1875%
Above \$5,000,000	Negotiable	Negotiable

The Registrant generally requires an account minimum of \$250,000 for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its minimum asset level requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

With respect to non-discretionary advisory services, the Registrant generally maintains ongoing responsibility to make investment recommendations based on the needs of the client. The client is free to accept or reject these recommendations.

### FINANCIAL PLANNING AND CONSULTING SERVICES

To the extent specifically requested by a client, the Registrant may decide to provide financial planning and/or consulting services including retirement planning, estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally begin at a minimum of \$3,000 on a fixed fee basis, and from \$85 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

Neither the Registrant, nor any of its representatives, serves as an attorney or a licensed insurance agent, and no portion of the Registrant's services should be construed as same.

To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of the Registrant. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. Registrant's annual investment management fee shall be prorated and paid quarterly, in advance, based upon the initial market value of the assets to be managed and thereafter based upon the market value of the assets ten (10) business days prior to the beginning of the new billing quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the initial market value of the assets to be managed and thereafter based upon the market value of the assets on the last business day of the month prior to the beginning of the new billing quarter. The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

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

The Registrant's clients shall generally include individuals, business entities, trusts, and pension and profit sharing plans. The Registrant generally requires an account minimum of \$250,000 for investment advisory services. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its minimum asset level requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. The Registrant utilizes an investment discipline commonly known as asset allocation in an attempt to take advantage of investment opportunities in various asset classes. Assets are diversified in accordance with the client's stated objectives. Portfolios are generally diversified globally within well-defined parameters. The following factors are considered when designing asset allocation strategies for client portfolios.

- Investment time horizon
- Tax considerations
- Client constraints
- Income requirements
- Political and legislative matters
- Economic issues and market outlook

Investments are made in the following investment vehicles:

- Mutual Funds
- Closed-End Funds
- Exchange Traded Funds
- Individual stocks and bonds
- Certificates of Deposit
- Separate accounts
- Partnerships

Additional research and analysis is conducted in those instances where a third-party investment manager is delegated responsibility for management of client assets. Prior to using an outside manager, this assessment normally includes the following characteristics of the potential third-party manager:

- Investment Philosophy
- Investment performance in various time periods
- Investment performance relative to an appropriate market index
- Risk adjusted performance
- Manager Tenure
- Strategy consistency
- Cost
- Tax considerations

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

- C. The Registrant does not recommend primarily a particular type of security.

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

- A. Neither the Registrant, nor any management person, has been involved in any criminal or civil proceeding.
- B. James D. Roorda, a member of the Registrant, while acting in his individual capacity as a member of the Board of Directors of the Employee Ownership Holding Company, Inc., an unaffiliated entity, was named as a party to a proceeding brought by the Department of Labor on November 13, 2008. On July 29, 2009, Mr. Roorda entered into a consent judgment and order which effectively enjoined Mr. Roorda from personally servicing ERISA covered employment plans.

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

- C. Neither the Registrant, nor any management person, has been involved in any self-regulatory organization proceeding.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

- C.
  - 5. **Bank or Thrift Institution.** Registrant's Principal, James Daley Roorda, is a member of the board of directors of Security California Bancorp ("SCAF") in Riverside, California. SCAF's stock trades "over-the-counter" under the symbol SCAF. At no time are any of the Registrant's clients under any obligation to retain SCAF's services. **The Registrant's Chief Compliance Officer, Lloyd Howell, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**



6. **Certified Public Accountants.** Registrant generally does not render accounting advice nor tax preparation services to its clients; however, representatives of Registrant, in their individual capacities, are members of the certified public accounting firm of Roorda, Piquet & Bessee, Inc. ("RPB"), an affiliated entity of Registrant. Messrs. Roorda, Piquet, Bessee, and/or representatives of Registrant, may give tax advice in concert with their investment advice for a combined fee.

Clients of Registrant retain the right to seek advice from their own tax advisor, at no time are obligated to retain RPB for its tax advice, and, at no time, are Registrant's clients charged any more for these combined services than he/she/it would be if charged separately for these services, but for administrative and economies of scale, the client may be charged through a combined fee for both investment advisory and tax services.

Certain individual principals of RPB (i.e. Messrs. Roorda, Piquet, Bessee), as well as its representatives, are also representatives of the Registrant and, in such individual capacities, may render investment advice, if needed. As discussed above, to the extent that RPB provides accounting and/or tax preparation services to its clients, including clients of the Registrant, all such services shall be performed by RPB and their representatives, in their individual accounting professional capacities.

9. **Pension Consultant.** Representatives of the Registrant, in their individual capacities, are members of the employee stock ownership plan advisory firm, American ESOP Advisors LLC ("AEA"), an affiliated entity of Registrant. AEA provides consulting and recordkeeping services to their clients for a negotiated fee. Clients of AEA retain the right to seek advice from their own employee stock ownership plan advisor. At no time are they obligated to retain AEA for advice.

**The Registrant's Chief Compliance Officer, Lloyd Howell, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- C. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- C. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front- running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that Access Persons of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Charles Schwab & Co., Inc. ("Schwab") Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and /or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker- dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from Schwab (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions.

Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provides access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Lloyd Howell, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.

3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, Lloyd Howell, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's representatives. All investment supervisory and financial planning clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues, investment objectives and account performance with the Registrant on an annual basis, as applicable.
- B. The Registrant may conduct account reviews on other than a periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom Registrant provides investment supervisory services will also receive a report from the Registrant summarizing account activity and performance no less than annually.

**Item 14                      Client Referrals and Other Compensation**

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from Schwab. The Registrant, without cost (and/or at a discount), may receive support services and/or products from Schwab.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Lloyd Howell, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

**Item 15                      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Those clients to whom Registrant provides investment supervisory services will also receive a report from the Registrant summarizing account activity and performance no less than annually.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

**Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

**Item 16                      Investment Discretion**

The client can decide to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an Investment Advisory Agreement, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name or found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc).

**Item 17            Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for:
  - (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and
  - (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

**Item 18            Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Lloyd Howell, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**