

## **Form ADV: Part 2 A & B**

As of (date) December 23, 2011

**Part 2A: The Brochure** - This brochure discloses information about the qualifications and business practices of the investment advisory firm named below for the benefit of its clients and prospective clients. If the adviser uses a wrap fee program, it is found in Appendix 1 attached to the online ADV.

**Part 2B: The Brochure "Supplement"** discloses information about persons providing advice.

### **2A Brochure: Item 1 Cover Page** for

#### **Annadel Capital, Inc.**

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CRD # 132175 / SEC registration number 801- 63416

*Please note that this brochure has not been approved by the Securities & Exchange Commission or by any state securities authority. This firm is registered with one or more states. Registration does not mean approval or verification by those regulators. Find more information about the firm at Investment Adviser Public Disclosure : [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

**2A: Brochure : Item 2: Material Changes** : *If we amend this disclosure brochure, we are to send you either a new copy of the brochure or at least this item 2 describing the changes made so you can decide if you want us to send you a complete, new copy. A summary of material changes is :*

☐ attached as an exhibit to or

☒ included here as part of this updated brochure

or : No summary of material changes is required because there have been no material changes to this adviser's brochure since its last annual updating amendment.

The changes made December 2011 in response to the California Department of Corporations are :

In Item 5 we have added a caveat that clients may find comparable services for lower fees.

In Item 10 we have added a statement that we have disclosed all material conflicts of interest.

We have completed the information for Item 19 for state registration

We have added information to the Parts 2B for Mr. Cooper and Mr. Smith in Items 3 and 7.

**2A:Brochure: Item 3:Table of Contents** : Information that investment advisers must provide to prospective clients initially and to existing clients annually : 18 disclosure items that describe this firm’s advisory business. See also the Appendix 1with disclosures required for a “wrap fee” program brochure [*a specialized brochure for Genworth*].

Item 1. : <u>Cover Page.</u> :	<i>The firm’s name, its address, contact information,</i>	Page 1, above
Item 2 : <u>Material Changes.</u> — Amendments made as of <u>April 28, 2011</u>		Page 1, above
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## 2A Brochure: Items 4 – 19

### Item 4.:This advisory firm's business

4. A. Annadel Capital, Inc. (or “Annadel Capital,” “Annadel” or “AC”) is a California corporation, registered August 2004 as an investment adviser. Note: The use of the terms “registered investment adviser” or “registered” do not imply a certain level of skill or training.

Our firm's two owners are :

- M. Jed Cooper, the firm's President, and
- M. Gregory Smith, the firm's Secretary, Treasurer and Chief Compliance Officer.

Annadel Capital requires a four-year college degree and three years investment experience to be members of the investment committee offering advice to clients. In addition, members must be properly licensed with all regulatory agencies.

4.B. Annadel Capital provides two major services for its clients:

- Investment Planning and Management; and
- Financial Planning.

In addition, Annadel provides a variety of specialized services.

#### **Investment Planning and Management**

Annadel manages assets on both a discretionary and non-discretionary basis. We will provide periodic written reports (either monthly, quarterly, or annually) showing:

- (a) current market value,
- (b) percentage breakdown of the portfolio(s) by major markets and security types,
- (c) time-weighted return (gross and net of fees) or internal rate of return (IRR) for the quarter, year-to-date, since inception, and
- (d) comparative market indices of major market indices.

Annadel does not provide investment-timing services. We construct portfolios to meet each client's needs and objectives; we utilize individual stocks and bonds, mutual funds, tax-advantaged investments, and cash and cash equivalents. In managing portfolios, Annadel also applies the services of outside advisors who are properly licensed with all required state and governmental agencies and separate account managers.

The minimum amount of assets we accept to construct a portfolio for investment management is \$500,000. This minimum may be waived.

Fees for investment management are charged either as a percentage of the assets under management, a fixed fee, or an hourly fee. The hourly billing rate is \$250 an hour. Fees are negotiable, but we normally require an annual \$5,000 minimum fee.

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#### **Financial Planning**

Annadel provides financial planning services, supplying analyses and recommendations in the areas of:

- retirement planning,

- estate planning,
- investment planning,
- educational planning
- and various financial issues of interest as specified by its clients.

We begin the financial planning process with the gathering of financial information through oral interviews and the completion of a financial questionnaire. Annadel will provide its client a written financial plan based on the client's financial needs, goals and tax status. Implementation of any recommendations made in the plan will be at the client's discretion. In most cases, a plan will consist of a "*strategic plan*", which outlines specific financial and retirement goals, and calculates the rate of return and savings rate required to achieve them.

The strategic plan will normally contain an asset summary consisting of a compilation of the client's existing assets. The plan may also contain other analyses, depending upon the client's needs. These may include:

- (a) a budget and cash flow summary detailing sources of income and expenses and analyzing major sources of cash and cash expenditures;
- (b) a tax planning model projecting current tax liabilities and marginal tax rate;
- (c) insurance needs analysis detailing current levels of life and disability insurance coverage and calculating estimated insurance needs;
- (d) an educational funding model setting forth the annual savings or lump-sum amounts necessary to fund future educational costs; and
- (e) a set of written recommendations on investments, budgets, cash flows, savings and other areas covered by the plan.

For non-institutional clients, Annadel's representative will provide general non-securities financial planning advice on topics that include:

- |                       |                        |
|-----------------------|------------------------|
| • tax planning,       | • estate planning,     |
| • budgetary planning, | • educational funding, |
| • asset maximization, | • and other topics.    |
| • loan refinancing,   |                        |

These services may be included in the annual percentage of assets fee charged to non-institutional clients, but normally our firm will invoice them on a fixed fee basis based upon hourly rates. Annadel may retain or consult with qualified and properly licensed experts to assist in the preparation of financial plans (in certain situations at no additional cost to the client). Such experts may include benefit-planning specialists, estate-planning attorneys, certified public accountants, life and disability insurance agents and brokers, and other investment advisors. Clients should note that California deems that a conflict of interest exists in between the adviser and the client in an adviser's offering financial planning services for a fee and that we should notify our clients that they are under no obligation to act upon Annadel's recommendations, nor, if a client does elect to act on those recommendations, is that client under any obligation to effect any transactions through Annadel.

4.C. Annadel seeks to tailor advisory services to a client's individual needs. By means of an in-depth interview with each client, AC's representatives establish a client's personal investment goals, risk tolerance and financial needs and then tailor financial plans and investment management accordingly. Clients may impose reasonable restrictions on the adviser's discretion to invest in certain securities or types of securities if a client provides clear, written directions to

that effect.

4.D. We do participate in a wrap fee program providing portfolio management services. Genworth Financial's platform is presented as a wrap-fee program. Our management of the wrap fee accounts in the Genworth platform leaves trading and allocation decisions to the discretion of the individual platform managers. We have informed our non-Genworth accounts, those still using Schwab as the custodian, that it is their choice as to the custodian, and that we will not make trades without their consent. Our firm receives a portion of the wrap fee.

4. E. The assets that this firm manages in a continuous and regular manner are valued at \$28,963,247 as of December 22, 2011. Of this amount, approximately \$3.87 million are in discretionary accounts and \$25.1 million are in non-discretionary accounts.

Item 5.: Fees and Compensation.

5.A. What fees does our firm charge its clients to compensate its services? Annadel charges :

1. A percentage of assets under management, from 1.0 – 0.8 % for portfolio management;
2. Hourly charges : \$250 per hour;
3. Fixed fees: a financial planning fee based on time use estimates.

**Fees for investment management** are charged either as a percentage of the assets under management, a fixed fee, or an hourly fee. The hourly billing rate is \$250 an hour. Fees are negotiable, but an annual \$5,000 minimum fee is intended. Note: *Lower fees for comparable service may be available from other sources.* Our management fee schedule is:

**INVESTMENT MANAGEMENT FEE SCHEDULE**

<u>Asset Level</u>	<u>Annadel</u>	<u>plus Genworth Fee</u>				
		<u>Fee</u>				
		MF	STADION	ETF	PMA	CMA
First \$ 250,000 *	1.00%	.45%	0.65%	0.45%	0.45%	0.80%
\$ 250,001 – \$ 500,000	1.00%	.40%	0.60%	0.45%	0.45%	0.80%
\$ 500,001 – \$ 1,000,000	1.00%	.35%	0.55%	0.45%	0.45%	0.80%
\$ 1,000,001 – \$ 2,000,000	0.90%	.30%	0.50%	0.40%	0.40%	0.75%
\$ 2,000,001 – \$ 2,500,000	0.90%	.20%	0.40%	0.40%	0.40%	0.75%
\$ 2,500,001 - \$ 3,000,000	0.80%	.20%	0.40%	0.40%	0.40%	0.75%
\$ 3,000,001 - \$ 5,000,000	0.80%	.20%	0.40%	0.35%	0.35%	0.70%
Over \$5,000,000	0.80%	.20%	0.40%	0.25%	0.25%	0.65%

**Note** A 0.15% charge is added to the standard Program Fee for Mutual Fund Accounts custodied at Charles Schwab Institutional.

CMA's: Genworth's Program Fee for Consolidated Managed Accounts includes all fees Genworth pays to Parametric for their services as the Overlay Manager, as well as all fees paid to the Sub-Managers for the development and maintenance of their Model Accounts. It also includes all fees paid to the Strategist to maintain the Model Portfolios.

Service Fees received by Genworth: The Account Custodians typically receive a Shareholder Servicing Fee from each mutual fund family included in the Client Accounts. This fee generally ranges from 0.25% to 0.35% per annum of the amount invested through the program in the mutual funds of each fund family.

5.B. Disclosure: Does our firm bill its clients for the incurred advisory fees by:

- Sending an invoice to the client, OR
- Obtaining each client's signed permission to deduct the advisory fees from the client's account held by the custodian, OR
- May clients select either method of billing?

How often does the adviser assess fees (or bill clients)?

Billing: Asset Management - We ask our clients to sign an agreement that authorizes the custodian of their investment account to pay Annadel the advisory fee for asset management. This practice is termed "direct billing." Fees are billed quarterly in advance based on the portfolio value at the end of the quarter, fixed fee agreed to, or hourly fees for work completed. Annadel will not bill for more than three (3) months in advance.

Clients may terminate services at any time without penalty upon giving written notice. Any fees a client has paid in advance will, upon termination, be prorated to the date of termination, and the unearned portion of the fees will be refunded to the client immediately. In the case of services provided on an hourly rate, the client may terminate the contract at any time by giving written notice to Annadel, at which point all hourly fees shall cease to accrue. In such cases, the client will be billed only for work completed up to the time of termination of the contract.

Fees for financial planning are generally charged as a one-time fixed fee, negotiated in advance with the client. The terms of the financial planning engagement are presented in letter format and include:

- (1) the specific areas of analysis;
- (2) the estimated cost of the plan and;
- (3) the billing arrangement.

The normal billing rate is \$250 an hour.

Annadel Capital will bill each client these fees based on the fixed fee or hourly fee agreed to, for work completed. Annadel will not bill or accept payment for fees in advance if the total of all fees paid in advance by the client exceed a maximum of \$500 for any six-month period.

Clients may terminate our services at any time without penalty upon giving written notice. Fees paid in advance by the client will, upon termination, be prorated to the date of termination and the unearned portion of such fees will be immediately refunded to the client. In the case of services provided on an hourly rate, the client may terminate the contract at any time by giving written notice to Annadel at which point all hourly fees shall cease to accrue. In such cases, the client will be billed only for work completed up to the time of termination of the contract.

### **Other Services Not Included Above**

Services may be offered on a one time or limited basis, for a fee based on hours worked or project completed. For such services, fees are charged at the rate of \$250 per hour, and are billed at the completion of work performed. Fees are negotiable.

5.C. Other compensation-related disclosures: A description of the types of other costs that clients may pay in connection with advisory services, such as

- brokerage: Securities purchased through broker/dealers may incur transaction charges.
- custody fees: Normally, assets to which Annadel provides investment management services are held at nationally recognized broker/dealers who are members of the Securities Investor Protection Corporation (SIPC).
- fund expenses: While Annadel purchases for its clients only no-load and/or load funds at net asset value (no sales charges), certain mutual funds incur transaction fees at the broker/dealer level. Clients should also be aware that mutual funds incur investment management fees and other expenses that are in addition to (and unrelated to) the fees Annadel charges, as described above.

Possible additional charges a client may incur include administrative fees for investments in mutual fund fees. Clients should not be charged the following:

- account maintenance fees charged by a broker dealer for an account, especially if inactive
- and 12b-1 fees in addition to administrative fees, and other marketing fees for mutual funds, paid to a broker dealer;
- postage charges
- processing charges
- Ticket charges
- Early surrender
- Transfer fees

Section 12 of this brochure further discusses aspects of the brokerage we use.

5.D. Disclosure: Do clients pay fees in advance? Yes.

How may a client obtain a refund of a pre-paid fee if the contract is terminated prior to a billed period's end? How will the amount of the refund be determined? Annadel will calculate the pro-rated amount of the refund and have it sent to the client.

5.E. Disclosure: Does the firm or any of its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds? No, Annadel does not share in any of the commissions or fees charged by the broker/dealers. Our investment adviser representatives are not agents of a broker dealer and therefore do not receive any commissions for transaction orders they place on clients' behalf. They do not sell other products, such as insurance, for which they might receive commissions.

Disclosure 5.E.1. Our representatives do not receive 12b-1 fees. Whenever an investment advisory firm's representatives may earn a commission, or mutual fund management 12b-1 fees, or other forms of sales charges in their capacity as the registered representatives of a broker-dealer, that arrangement creates an incentive to recommend those sales and, as a consequence,

an inherent possibility for a conflict of interest. An advisor is a fiduciary who is required to make only those recommendations for a client that solely are in the client's own best interest, uninfluenced by any calculation of personal gain.

Disclosure 5.E.2. Clients always have the option to purchase through unaffiliated broker-dealers and their agents those investment products our firm recommends.

Disclosure 5.E.3 Does our advisory firm receive more than half its revenue from commissions and other sales-based compensation? No. It receives no commissions.

Disclosure 5.E. 4. Do we charge advisory fees in addition to commissions or markups? We do, of course, charge advisory fees. That is how investment advisers perform business. Our firm is not also a broker dealer and therefore receives no commissions or markups.

Other disclosures for this section: If the adviser primarily recommends mutual funds, it must disclose whether it will recommend "no-load" funds. Those Annadel clients who have assets at Schwab (about 9 Million AUM) own portfolios that have included bonds, stocks and funds since the assets moved to Annadel. We have watched the funds and have traded them for other investments as circumstances indicated. One of the Genworth platform strategists, Litman/Gregory, selects only mutual funds. Annadel has used that platform's selections to adjust underperforming assets in the existing portfolios, but again only with the acknowledgment of the investor. The Genworth information describes the types of securities in which their selected portfolio strategists invest.

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

Does our firm charge performance-based fees [ a fee based on the increase in the portfolio's assets' value]? **NO**, we do not charge performance fees.

Does our firm have a supervised person who manages an account that pays performance fees? No, we do not. Regulators have stated that performance fees can cause incentives for an adviser to manage a portfolio with an eye to short term gains only, including investments that are more speculative or have a higher risk of loss. They may also tempt an advisor to allocate more time to them than to other clients' portfolios due to the possibility of a higher fee. As a fiduciary, an investment adviser is to provide equitable treatment to each client's managed portfolio as if it were the adviser's own portfolio - within the investment parameters agreed to with the client.

Item 7.: The types of Clients we service.

Typically our clients include individuals, high net worth individuals, and pension and profit-sharing plans. We are prepared to provide services to other types of clients as well, including: corporations and other businesses, charitable organizations, estates, and trusts.

**Conditions for Managing Accounts**

As a minimum requirement for providing investment management /advisory services, Annadel generally requires that clients have assets of at least \$500,000 (or if less, assets subject to annual fees of \$5,000) to invest, (i.e., assets that may be invested or reinvested over the following six months). We may waive this requirement in cases of long-term clients; persons referred to Annadel having existing or pre-existing relationships; or in situations where Annadel believes the prospects for future financial growth are significant. All related accounts are aggregated for terms of meeting minimums. Annadel reserves the right to raise or lower the minimum. There is no minimum account size for financial planning and 401(k) retirement accounts.



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

**Caution : Investing in securities involves risk of loss that clients should be prepared to bear.**

Annadel's advisors employ one or more forms of analysis to manage clients' accounts. These analytical methods are :

1. **Charting** – Charting includes a variety of means of analysis that correlate charts, graphs, and similar **market information** to detect patterns that are judged to be predictable, to recur in essentially the same way, given the same chartable factors or relationships among factors. It seeks to predict trends and notice variations in those trends, using various calculated averages.

Problems encountered using a charting analysis: Charting assumes

- 1) an accurate correspondence between real events and the factors charted as selected;
- 2) and that patterns can be detected in such charts such that
- 3) they are recognizable in advance, predictable as drawn from recurring and therefore essentially mechanistic financial events.

It is a complicated theory. It depends upon a basic assumption that the fundamental financial influences are not radically different in the time periods considered. That assumption is a concept that recently has been questioned on a number of levels.

Particular stocks may diverge from the market sector averages radically. Charting may therefore need to be paired with another form of analysis such as fundamental or technical analyses in order to look more closely at particular securities.

The time period most suitable for use in charting analyses is dependent upon the investor's holding period, portfolio structure, and other factors. The choice of relevant segments of performance over time and the understanding of their place in mapping the forces within the larger time period framework is another consideration.

Time spent using one analytical method will compete with other analytical methods which might have proven more useful and profitable.

2. **Fundamental** – Called the “bottom-up” approach to investing, a fundamental analysis seeks an in-depth understanding of a **specific firm**/company to evaluate its intrinsic value and its future prospects before investing in its stock. Such an analysis studies the firm's management, its debt, equity and cash flow, history of financial performance/growth, dividend payout percentages, its products, operating efficiency and marketing structures, among other factors. The firm's balance sheet and income statement are two key sources of information about the firm.

Fundamental Analysis will compare a firm's stock price with its earnings per share and its net earnings to its gross revenues and compare both with the averages for that industry sector. The ratio of current liabilities to current assets is another important element of this form of evaluation. A central focus is deciding whether the stock is over-valued or undervalued.

As a term in large-scale economics, a fundamental analysis studies gross national product, inflation and interest rates, trade and unemployment trends, consumer confidence, savings and spending patterns and inventories in order to predict the larger movements of national and international economies. These larger concerns greatly influence the elements considered in a fundamental analysis of any given company.

Problems encountered using a fundamental analysis: The factors involved can require time-consuming study that can fall behind the need to make decisions, if such factors begin to change rapidly. Few of the numbers are absolutes; many are relative to other factors or industry sector information. Most require intelligent judgment and experience to be applied meaningfully to stock values.

Fundamental analysis places value on the financial structure and health of the firm to be invested in. These factors at times are of little or no interest to the market place, such that the stock prices for very sound companies may wither when investors look to other reasons and areas for investing.

For a relatively short time period, a firm can falsify facts to hide poor performance or a fragile financial situation. The independence of balance sheets' and other reports' numerical information from such possible manipulation may not be readily verifiable.

Time spent using one analytical method will compete with other analytical methods which might have proven more useful and profitable.

3. **Technical** – Technical Analysis is, together with fundamental analysis, one of the two major schools of stock market study. This form of value analysis focuses on patterns of **volume and price fluctuations** for a **given stock** as compared to the activity of the larger, general market(s) indicators. Securities are evaluated for purchase or sale based on an analysis of market statistics such as volume and prices over time as seen on charts, etc. that are believed to establish relational patterns that can predict future movements in the markets.

This relative comparison has little or no concern for any company's fundamental structure, production or worth. Market indicators kept in view include volume and direction of market activity, as indicators of supply and demand for securities, often using one or more established index/indices, such as the NASDAQ, S&P 500, and the Dow Jones Industrial Average. Trends and Penetrations (e.g. of previous "highs") are another type of indicator used. The patterns discerned, often using charts for a quick grasp of the relationship of various factors, are used to predict future market moves and their effects on stocks in general and/or on particular sectors of the market.

Problems encountered using a technical analysis: Technical analysis purports to see patterns deemed repeatable in similar market conditions. Market conditions may consist of many factors any one of which may alter the outcome of an otherwise very similar situation. No one indicator is absolutely reliable, and a multiple of indicators may just as likely complicate understanding and evaluation as much as or more than it allows deeper insight into the market's mechanics.

The understandings offered clients in explanation tend to use generic Technical Analysis, while the working concepts that are derived from those basics and modified by experience and a firm's emphasis may well be hidden in part or completely as proprietary strategy/strategies that may let

one advisor or market participant outperform another.

Technical analysis assumes that all the market factors are known to and considered by all the market's participants, although, in fact, the market can act in highly partial and even apparently irrational ways. A market termed "dynamic" indicates a sense that the underlying causal relationships may be shifting.

In addition to these methods, Annadel considers tax consequences in its capital management recommendations, and the goals, needs, objectives, and risk tolerances of the client.

Annadel does not attempt to predict short-term trends and/or market movements, except in rare instances dictated by sudden changes in a client's circumstances.

Annadel supports both "active" and "passive" index investment strategies, combining both strategies to create portfolios containing longer-term core holdings and those the Advisor believes adds value or "alpha" to client accounts.

Trading frequency: Annadel's trading strategies include holding for the long term (a year or more), short term investments (traded within a year) and sales within 30 days of purchase. All these strategies are intended to enhance the portfolio's value and ability to meet a client's stated goals. What may be regarded as "frequent trading" varies according to both client and to the type of security involved.

Annadel itself rarely uses sales; most of its trades are long-term and most investments are made in third party-managed platforms that decide the frequency of trades within those platforms.

**Item 9.: Disciplinary Information.**

What facts about any legal or disciplinary event involving our firm or its personnel should you know of, because it is material to an evaluation of the integrity of our firm or its management persons? The SEC requires that we inform you, our client, if our firm or any of our management persons has been involved in any of the events listed below in 9. A, B, and C. and, beyond those points, if there is any material fact about any legal or disciplinary event that you should know about in order to evaluate our integrity. Our firm and its management persons have not been involved in any events that come under this item, to include Criminal or Civil Actions, Administrative Enforcement Proceedings or any Self-Regulatory Organization's Proceedings.

**Item 10.: Other Financial Industry Activities and Affiliations.**

What material relationships does our firm or any of our management persons have with related financial industry participants? Here we seek to disclose all material conflicts of interest regarding Annadel, its representatives and its employees which reasonably could be expected to impair the rendering of unbiased and objective advice.

Mr. Cooper and Mr. Smith each own 25% of an estate and succession planning firm, Life Planning Concepts, LLC. Annadel and Life Planning Concepts do not actively share / look to refer clients to one another, although they may have clients in common. Advisory clients who need the services of an estate and succession planning firm may choose to use Mr. Cooper's or Mr. Smith's services in that capacity at their own election.

Mr. Smith may earn commissions from insurance sales through Life Planning Concepts. If any advisory client acts on an Annadel recommendation to purchase insurance products and opts to do so through Mr. Smith, the client should understand that the recommendation necessarily creates the potential for a conflict of interest due to the commissions to be earned. The commission creates an incentive to make the recommendation. No client is obligated in any way to purchase insurance through Mr. Smith.

Mr. Smith is also a 20% owner of a CPA firm, CSM+M, an Accounting Corporation. Clients needing CPA services may seek to obtain them through the related firm. If Annadel recommends such services, there will again be an inherent risk for a conflict of interest, due to the fees Mr. Smith may earn as a CPA. Again, Annadel does not obligate any client in any way to use its related services.

#### **Other Financial Industry Activities or Affiliations**

Annadel does not have arrangements with broker/dealers to custody assets, process trades, and pay commissions. Annadel does have arrangements with independent institutions, (i.e. Charles Schwab Institutional and TD Ameritrade). These arrangements with independent and unaffiliated custodians are material to Annadel's investment advisory business. While Annadel is not affiliated with the institutions and receives no compensation from them, the institutions do provide certain financial, technical, and other industry related services that are important to our firm and for the services it provides to its clients.

#### **Item 11. Code of Ethics / Our own trading and possible personal interest in our clients' trades.**

A. A summary of our firm's code of ethics and how to obtain a copy:

Our firm has a Code of Ethics that describes our policies and procedures to abide by the law's prohibition against any insider trading for any person's benefit, including our reviews of our own persons' trades, as well as other ethical considerations. We will provide you a copy of our Code of Ethics if you write to us requesting one.

Annadel and its associated persons may purchase or sell specific securities for their own accounts based on personal investment considerations without regard to whether the purchase or sale of such security is appropriate for clients. The firm has a code of ethics regarding the monitoring of its associates' proprietary trading activities.

Please note that using any insider information, information that is not readily available to all participants in the securities markets (upon making a reasonable effort to obtain that information), for any person, ourselves or relatives or clients or any other person, is strictly illegal and punishable by fines and imprisonment.

#### **Privacy Policy Statement**

Our firm has written a Privacy Policy Statement to guide our handling of sensitive information, such as your personal, non-public information. It limits our discretion as to with whom we may share such information, requiring your permission in most instances. We may be required by law to share some information with law enforcement entities, if subpoenaed, for example. We provide you with a copy of this policy statement initially and every year after that.

**B. Trading activities and possible conflicts of interest:**

How may our own trading activities be related to the trades we place for your account?

Our firm and its associates **do not**

- buy securities for the firm or for themselves from advisory clients (principal transactions);
- sell securities the firm or its associates own to advisory clients (principal transactions);
- in the capacity of a broker/dealer agent, transact purchases or sales of any client's securities directly to any other person (an "agency cross transaction" that side-steps using a securities marketplace) : [They are not registered broker/dealer agents.]
- recommend securities (or other investment products) to our advisory clients in which our firm or any person or other firm related to our firm has some other proprietary (ownership) or other financial interest.

**A. Personal Trading.** Does our firm permit itself, its personnel, or a person related to our firm (by ownership or other forms of control) to invest in the same securities that we recommend to our clients, or in securities that are related to those securities (such as options or other derivatives)?

Our firm and its associates **do**

- buy or sell for the firm or for themselves securities (other than shares of mutual funds) that they also may recommend to our advisory clients;
- buy or sell for the firm or for themselves shares of mutual funds that they also may recommend to our advisory clients;

**B. Participation or Interest in Client Transactions**

Annadel, its employees, and family-related accounts may, from time to time, purchase and sell investment securities recommended to clients.

**In all cases, client transactions will always be given first priority.**

Our firm has adopted a policy statement establishing trading guidelines and control procedures. A written procedure statement exists outlining the steps taken to implement firm policy. Those procedures include:

1. A related person may not knowingly purchase (sell) for his/her personal account and those of his/her immediate family or in an account in which he/she has a beneficial interest, ahead of firm's clients.
2. A related person cannot execute transactions in their own account(s) that are the opposite of what advice the firm is providing to its clients.
3. All security transactions by a related person for his/her personal account and those of his/her immediate family and for any account(s) in which he/she has a beneficial interest, are reviewed by the Advisor's compliance officer on a quarterly basis. In addition, the firm may create a "restricted list" of securities for which pre-clearance from the Chief Compliance Officer is required prior to any personal security transactions in those listed securities.

An advisory client should be aware of the possible conflicts of interest that arise whenever we recommend, or, in our discretion, buy or sell for a client a security that we may also buy or sell

for ourselves. These potential conflicts of interest are:

- using your order's market effect to benefit ourselves ("front running");
- using your order as "inside information" that would give us an unfair advantage in the markets to benefit ourselves or any other person (which is an illegal act);
- gaining a lower brokerage cost for ourselves in bunching orders, which can create an incentive to involve your account in that transaction.

NOTE : An adviser's **related persons** are: (1) the adviser's officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling, controlled by, or under common control with the adviser; (3) all of the adviser's current employees; and (4) any person providing investment advice on the adviser's behalf.

Item 12 :Brokerage Practices.

Does our firm select a broker/dealer for you? On what basis do we do so?

Annadel allows its clients to select from two institutions to custody assets. These two firms are Charles Schwab Institutional and TD Ameritrade. We have selected these two for their proven track record in the securities industry as well as general public recognition. Whichever institution is selected, Annadel has an obligation to its clients to provide competitive commission rates when executing transactions. This process is referred to as "Best Execution." In determining the reasonableness of a broker's compensation (commission charges) our firm is willing to consider opening accounts with other brokers that clients may prefer. We generally avoid using discretionary authority over accounts, including the choice of custodian and brokerage.

We do compare, on an informal basis, the services and costs we receive from Charles Schwab Institutional and TD Ameritrade with those available at some other firms. It is our clients who make the final choice as to which brokerage firm will execute their trades and custody their accounts; the third party platforms to which we refer our clients may use one or many custodians. Genworth uses several.

Best execution includes service factors besides the commission rate. However, Charles Schwab Institutional and TD Ameritrade are generally competitive, besides being able to offer a wide range of products. Nonetheless, clients should be aware that it is possible they could obtain brokerage services that are essentially the same for a lower commission rate.

"Soft Dollars": Do we have any conflicts of interest such as receiving "soft dollars" from the broker/dealer? Charles Schwab Institutional and TD Ameritrade do provide certain financial, technical, and other industry related services that are important to our firm and for the services it provides to its clients. The benefits we receive could cause a conflict of interest, giving us an incentive to use these firms instead of other firms. We believe their services and costs are competitive with other firms in the industry and that the services we receive from them in addition to trading execution benefit all our clients as applicable. It is all educational material.

When we place orders with a broker/dealer for our clients, we do not aggregate or "bunch" your trade order with orders for other clients. This can lead to higher brokerage costs.

Item 13: Review of Accounts.

REVIEWS: Does someone in our firm review your investment account and how often?

The Investment Committee monitors and reviews the investment performance and composition of all accounts on a quarterly or more frequent basis if conditions are warranted. Outside the quarterly reviews, reviews may be triggered by a:

- (1) change in financial markets;
- (2) change in clients' circumstances; and
- (3) change in the Advisor's opinion related to a company and/or industry.

Formal written updates of financial plans are typically undertaken upon a request from the client, although as a matter of policy, our firm recommends to clients that they update their financial plan at least once every two to five years, depending upon personal circumstances.

The Investment Committee is comprised of two principals (M. Jed Cooper, and M. Gregory Smith). From time to time, the Investment Committee may elect to add additional members whom it feels would provide valuable information and insight to the management and monitoring processes.

Investment advisory services provided to retirement plans include quarterly review of fund performance. A more frequent review is undertaken following changes in the circumstances and/or conditions related to the Plan Sponsor, Plan Provider, trustee or investment options.

REPORTS: What regular reports do we or others provide you? Are they written reports?

As part of its investment management and monitoring services, our firm issues formal written quarterly reports which include the following:

- (a) current market value of all accounts;
- (b) percentage breakdown of the portfolio by major asset classes and security types;
- (c) time-weighted return (net of fees) or internal rate of return (IRR);
- (d) comparative market indices.

Special reports may be prepared based on the needs of a client or an account and provided more frequently than on a quarterly basis. The reports may also include the risk characteristics of the portfolio(s), and recommendation(s) for new investments or changes in existing investments. Custodians, independently, also provide monthly reports to all clients.

Because we send you an account statement, we urge you, our client, to compare carefully that account statement with any other statements you may receive from the account's qualified custodian. It is not the custodian's duty to verify the percentages and deductions for fees.

Item 14.: Client Referrals and Other Compensation.

Does our firm or a firm related to us through some form of ownership pay someone for client referrals? No, we do not use solicitors, directly or indirectly through any related firm.

Additional Compensation

We do ourselves receive valuable benefits from Genworth, the sponsor of investment programs in which our firm invests its clients. Genworth provides us with quarterly training and an educational budget of \$5,000 annually.

Genworth's benefits to us create a potential for a conflict of interest. The benefit could be an incentive to use their platforms instead of another firm's investment program. As a fiduciary, we address this potential conflict by disclosing it here to our clients.

Item 15.: Custody.

Does our firm have custody of your assets?

Annadel does practice direct billing, which has been defined as a form of custody, but one that does not require an audit. Direct billing means that our clients give us written permission to invoice their account held by the custodian to pay our advisory fees. Otherwise, no, Annadel does not have custody any client assets. We will send an invoice to all clients.

Charles A. Schwab Institutional or TD Ameritrade will be your account's qualified custodian. The custodian will send to you at least quarterly financial statements. NOTE: These statements should be reviewed carefully. It is not the custodian's responsibility to ascertain the accuracy of the calculation for fees subtracted from your account.

Item 16.: Investment Discretion.

A. Does our firm have discretionary authority over your assets? Annadel has the authority to determine the amount of securities bought or sold in some of its agreements. In practice we no longer exercise discretion; instead, we make a point of discussing all transaction choices and recommendations with our clients to obtain their assent before we effect any trades. These clients all custody their assets at Charles Schwab Institutional. In those cases, the client specifies the objectives and investment guidelines for our firm's allowed use of discretion.

B. What limitations are there, or can you place, on our discretionary authority? In some cases, clients authorize us to act upon recommendations made on their behalf, and in others, clients enter their own security transaction orders. Recommended securities generally include stocks, bonds, and mutual funds. Client restrictions and/or limitations on discretionary authority are established when a client opens an account.

Item 17.: Voting Client Securities.— proxy voting practices

Does our firm have or will it accept authority to vote client securities? Annadel and its officers do not have and will not accept any authority to vote any client proxies associated with client investments. We encourage our clients to read the information sent to them by the companies in which they may be invested in order to gain insight into those investments made.

This is the sum of our proxy voting policies and procedures, made available in this disclosure brochure. As we do not vote proxies, we have no conflict of interest in this matter. Our clients will receive their proxies from the custodian.



Item 18.: Financial Information.

In some instances, our firm does exercise discretionary authority regarding which securities to buy or to sell and in what amounts, as noted in Item 16, above. We are not required by this item to provide a balance sheet, however, as the only form of custody we practice is “direct billing,” as noted earlier. This form of custody does not require any annual audits.

Other forms of custody include the prepayment of a fee of \$1,200 or more, 6 or more months in advance of services. We are paid in advance, but quarterly, not six or more months in advance.

Our firm has no financial condition that could reasonably seem likely to impair our ability to meet our contractual commitments to you, our client. Our firm has not been the subject of a bankruptcy petition during the last 10 years.

Item 19 :State Registrant Information.

This firm was registered with the SEC on 08/05/2004. It sought state registration in California beginning in November 2011 for the year 2012. It notice filed in California on 08/05/2004.

A. Our two executive officers and management persons are:

- M. Jed Cooper, our firm’s President, Principal and Member of the Investment Committee
- M. Gregory Smith, the firm’s Secretary, Treasurer

Their educational and business backgrounds are disclosed in the Parts 2B for each person in the sections following this Item 19.

B. Annadel is not involved in any businesses other than providing investment advice. Annadel’s management persons, Mr. Cooper and Mr. Smith, are actively engaged in other businesses, as disclosed in Part 2A, above, Item 10:

Mr. Cooper and Mr. Smith each owns 25% of an estate and succession planning firm, Life Planning Concepts, LLC. Annadel and Life Planning Concepts do not actively share / refer clients to one another, although they may have clients in common. Advisory clients who need the services of an estate and succession planning firm may choose to use Mr. Cooper’s or Mr. Smith’s services in that capacity at their own election. No client is obligated to do so in any way. This activity requires approximately 3 hrs per week of Mr. Smith’s and 1 hour per week of Mr. Cooper’s business time. Mr. Smith may earn commissions from insurance sales through Life Planning Concepts. If any advisory client acts on an Annadel recommendation to purchase insurance products and opts to do so through Mr. Smith, the client should understand that the recommendation necessarily creates the potential for a conflict of interest due to the commissions to be earned. The commission creates an incentive to make the recommendation. No client is obligated in any way to purchase insurance through Mr. Smith.

Mr. Smith is also a 20% owner of a CPA firm, CSM+M, an Accounting Corporation. Clients needing CPA services may seek to obtain them through the related firm. If Annadel recommends such services, there will again be an inherent risk for a conflict of interest, due to the fees Mr. Smith may earn as a CPA. Again, Annadel does not obligate any client in any way to use its related services.

Outside of Annadel, Mr. Smith and Mr. Cooper advise a Regulation D placement and receive payment for their advice. This activity requires less than 15% of their time.

C. As noted in Item 5, we do not charge performance fees. **Disclosure:** Performance-based compensation may create an incentive for an adviser to recommend an investment that may carry a higher degree of risk to a client.

D. If Annadel or a management person has been involved in one of the events listed below, we are to disclose all material facts regarding the event.

1. An **award** or otherwise **being found liable** in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

We have not been subject to any arbitration claims.

2. An **award** or otherwise being **found liable** in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

We have disclosed in this ADV Part 2A, in item 9. That no such award or finding applies to Annadel or its management persons or representatives. We disclose below in the ADV Part 2B for Mr. Cooper that there have been one civil event and 4 customer complaints, all of which were settled. All of the items were the result of a hedge fund in San Diego that made fraudulent statements to its investors. The SEC found no wrong doing by Mr. Cooper whatsoever. Annadel Capital had nothing to do with the hedge fund, and was not even formed while the hedge fund existed.

E. Annadel and its management persons have no relationship or arrangement have with any issuer of securities that is not listed in Item 10.C. of Part 2A.

## Part 2B: The Brochure Supplement:

Item 1.: Cover page: This brochure supplement provides information about M. Jed Cooper that supplements the Annadel Capital, Inc. brochure. You should have received a copy of that brochure at or before the time when *that* specific supervised person begins providing you with services. Please contact Gregg Smith if you did not receive Annadel's brochure or if you have any questions about the contents of this supplement. Additional information about Jed Cooper is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### Annadel Capital, Inc.

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Item 2.: <u>Educational Background</u>	<b>M. Jed Cooper</b> , President Principal, Member of Investment Committee of Annadel Capital  Date of Birth: 3/10/50 CRD # 857289 <u>Education:</u> Brigham Young University, Provo, Utah, B.S. in Political Science, 1974
And	American Graduate School of International Business (Thunderbird) at Glendale, AZ, Masters in International Business Management, 1976
<u>Business Experience</u>	<u>Business Background:</u> Jed began his career in the financial services industry with Bank of America in 1976, in the position of banking management trainee. In 1978 he joined Dean Witter where he served as Vice-President of Investments. He worked in the same capacity for Sutro & Co. from 1984 to 1992, and also for Kemper Securities from 1992 to 1998.  From 03/1998 to 07/2004 he worked for Zenith Capital, LLC as a principal. He has been the President of Annadel Capital, Inc. and an investment advisory representative of the firm since July 2004.
Item 3.: <u>Disciplinary Information</u>	<u>Disciplinary Information:</u> <i>The instructions for the form ADV Part 2B state that we must disclose any legal or disciplinary event in which one of our firm's supervised persons has been involved and that may be material to a client's evaluation of that person's integrity. We note here that no settlement has stated any wrongdoing on Mr. Cooper's part. The Investment Adviser Public Disclosure site, which clients may see on-line, notes five events, one civil and 4 customer complaints. All were settled without findings of guilt or error on Mr. Cooper's part. Four of the five items are parts of the same investment event.</i>

<p>Item 4.: <u>Other Business Activities</u></p>	<p><u>Other Business Activities:</u> As we have disclosed in section 10 of the ADV Part 2A brochure, Mr. Cooper owns 25% of an estate and succession planning firm, Life Planning Concepts, LLC. Annadel and Life Planning Concepts do not actively share clients although they may have clients in common. Advisory clients who need the services of an estate and succession planning firm may choose to use Mr. Cooper's services in that capacity.</p> <p>We have also disclosed in Section 10 of the ADV Part 2A brochure that Mr. Cooper provides advice to Ananda Advisors, LLC, that assists clients with alternative investments in a Reg D placement.</p>
<p>Item 5.: <u>Additional Compensation</u></p>	<p><u>Additional Compensation:</u> Annadel receives valuable benefits from Genworth, the sponsor of investment programs in which our firm invests its clients. Genworth provides us with quarterly training and an educational budget of \$5,000 annually. These benefits create a potential for a conflict of interest as an incentive to use their platforms instead of another firm's investment program. As a fiduciary, we address this potential conflict by disclosing it here to our clients.</p>
<p>Item 6.: <u>Supervision</u></p>	<p>Item 6.: <u>Supervision.</u>: Mr. Cooper and Mr. Smith determine together what investment advice to provide to the firm's clients. They are the firm's only representatives. They also review each other's proprietary trading activities for the policies in the Code of Ethics. Their telephone numbers are found on the first page of this brochure, Part 2A.</p>
<p>Item 7.: <u>State registration</u></p>	<p>Item 7.: <u>State Registration requirements:</u> Mr. Cooper is registered in California as an investment advisory representative of Annadel Capital, Inc. He has not declared bankruptcy in the past 10 years. <b>With regard to the disciplinary items under this Item 7 (below):</b></p> <div data-bbox="477 1230 1437 1755" style="border: 1px solid black; padding: 5px;"> <p><b>Item 7 Requirements for State-Registered Advisers</b>  A. In addition to the events listed in Item 3 of Part 2B, if the <i>supervised person</i> has been <i>involved</i> in one of the events listed below, disclose all material facts regarding the event.  1. <b>An award or otherwise being found liable</b> in an arbitration claim alleging damages in excess of \$2,500, <i>involving</i> any of the following:  (a) an investment or an <i>investment-related</i> business or activity;  (b) fraud, false statement(s), or omissions;  (c) theft, embezzlement, or other wrongful taking of property;  (d) bribery, forgery, counterfeiting, or extortion; or  (e) dishonest, unfair, or unethical practices.  2. An award or otherwise being <i>found</i> liable in a civil, <i>self-regulatory organization</i>, or administrative <i>proceeding involving</i> any of the following:  (a) an investment or an <i>investment-related</i> business or activity;  (b) fraud, false statement(s), or omissions;  (c) theft, embezzlement, or other wrongful taking of property;  (d) bribery, forgery, counterfeiting, or extortion; or  (e) dishonest, unfair, or unethical practices.  B. If the <i>supervised person</i> has been the subject of a bankruptcy petition, disclose that fact, the date the petition was first brought, and the current status.</p> </div> <p>Mr. Cooper has not been involved in an arbitration; all the events noted in Item 3 were settled without finding any wrong-doing on Mr. Cooper's part.</p>

## Part 2B: The Brochure Supplement:

Item 1.: Cover page : This brochure supplement provides information about M. Gregory Smith that supplements the Annadel Capital, Inc. brochure. You should have received a copy of that brochure at or before the time when *that* specific supervised person begins providing you with services. Please contact Gregg Smith if you did not receive Annadel's brochure or if you have any questions about the contents of this supplement. Additional information about Gregg Smith is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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Item 2.: <u>Educational Background</u>	<b>M. Gregory Smith,</b>  Treasurer and Chief Financial Officer of Annadel Capital, CCO from 10.5.2004; Principal, Member of Investment Committee
and	Date of Birth: 3/24/53  CRD # 2558680  Education: University California at Berkeley, Berkeley, CA, B.S. in Accounting, 1975,  Graduate School of Taxation, Golden State University, San Francisco, CA, M.S. Taxation in Progress; AICPA Personal Financial Specialist*; Holds active Certified Public Accounting license in the State of California
<u>Business Experience</u>	Business Background: Gregg began his career in public accounting in 1975 with the international accounting and consulting firm of Ernst & Ernst (now Ernst & Young). Gregg thereafter co-founded and managed a regional accounting firm. In 1986, Gregg was accredited as a financial planner.  *Personal Financial Specialist: "The Personal Financial Specialist (PFS) program allows CPAs to demonstrate their knowledge and expertise in personal financial planning. Whether a CPA specializes in personal financial planning with their clients or interacts with other financial planning professionals, the PFS credential adds credibility. PFS credential holders have a specific experience, education and examination requirement that sets them apart from other CPAs and financial planners." [www.aicpa.org] Ongoing certification includes review courses.

<p>Item 3.: <u>Disciplinary Information</u></p>	<p><u>Disciplinary Information.</u> Clients may find the following disclosures online at the Investment Adviser Public Disclosure site, which begins its presentation with a caution: <i>“When evaluating this report, please keep in mind that it may include items that involve pending actions or allegations that may be contested and have not been resolved. Such items may, in the end, result in an order against the individual, may be withdrawn or dismissed, or resolved in favor of the firm or [investment advisor representative], or concluded through a negotiated settlement.”</i></p> <p>Are there events disclosed about this Investment Adviser Representative? <b>No :</b></p>
<p>Item 4.: <u>Other Business Activities</u></p>	<p><u>Other Business Activities:</u></p> <p>As we have disclosed in section 10 of the ADV Part 2A brochure, Mr. Smith owns 25% of an estate and succession planning firm, Life Planning Concepts, LLC. Annadel and Life Planning Concepts do not actively share clients although they may have clients in common. Advisory clients who need the services of an estate and succession planning firm may choose to use Mr. Smith’s services in that capacity.</p> <p>As noted in Items 10 and 19, Mr. Smith is also a CPA and owns a 20% interest in CSM+M, an Accountancy Corporation. Annadel’s clients are not obligated to use the related firm’s services should they need a CPA; if Annadel recommends the related firm’s services, that creates a conflict of interest due to the fees Mr. Smith may earn.</p> <p>Mr. Smith is also a paid advisor to Ananda Advisors, LLC, a Reg. D placement that assists clients with alternative investments. Annadel and Ananda Advisors do not actively share clients although they may have clients in common.</p>
<p>Item 5.: <u>Additional Compensation</u></p>	<p><u>Additional Compensation</u></p> <p>Annadel receives valuable benefits from Genworth, the sponsor of investment programs in which our firm invests its clients. Genworth provides us with quarterly training and an educational budget of \$5,000 annually. These benefits create a potential for a conflict of interest as an incentive to use their platforms instead of another firm’s investment program. As a fiduciary, we address this potential conflict by disclosing it here to our clients.</p>
<p>Item 6.: <u>Supervision</u></p>	<p><u>Item 6. Supervision.:</u> Mr. Cooper and Mr. Smith determine together what investment advice to provide to the firm’s clients. They are the firm’s only representatives. They also review each other’s proprietary trading activities for the policies in the Code of Ethics. Their telephone numbers are found on the first page of this brochure, Part 2A.</p>
<p>Item 7.: <u>State registration</u></p>	<p><u>Item 7. State Registration requirements:</u> Mr. Smith is registered in California as an investment advisory representative of Annadel Capital, Inc. With regard to the disciplinary items under this Item 7, none applies to Mr. Smith.</p> <p>7.B. He has not sought bankruptcy protection in the past ten years.</p>