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IARD # 141440

Firm Brochure  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Sound Investment Strategies, Inc (SIS)

If you have any questions about the contents of this brochure, please contact us at 425-353-4960 or [info@investsoundly.com](mailto:info@investsoundly.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 SIS is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). IARD #141440

## **Material Changes**

Sound Investment Strategies (SIS) has changed from SEC registration to registration with the State of Washington Department of Financial Institutions due to revised regulatory requirements.

SIS has also added Financial Planning services to our investment advisory services.

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## **Description of Advisory Business**

Sound Investment Strategies (SIS) provides a variety of investment advisory services. These services include:

Investment Supervisory Services where SIS will provide ongoing continuous management of a portfolio. We will tailor asset allocation and asset selection to a clients' risk tolerance. Clients may impose restrictions on investing such as minimum bond credit quality and socially conscious investments. Investment supervisory services are only offered on a discretionary basis.

Financial Planning Services on a one-time basis to create or update a financial plan. We look at a clients' total financial picture and give advice based on their situation and objectives. We make an in-depth review of a clients' financial life including college funding, emergency savings, budgeting, investments, insurance, taxes, legacy gifts and retirement planning.

## **Principal Owners**

SIS was founded in 2006 and is owned equally by the four original partners:

|              |                        |
|--------------|------------------------|
| Stephen Guss | 25% Ownership Interest |
| Jed Sires    | 25% Ownership Interest |
| James Adams  | 25% Ownership Interest |
| Blake Scott  | 25% Ownership Interest |

## **Assets under Management**

As of May 1, 2012, SIS has a total of \$34,300,000 under management. All of the assets are managed on a discretionary basis.

## **Fees and Compensation**

Portfolio management services are paid in accordance with the following fee schedules. Fees are billed on a quarterly basis in advance and will be deducted from your account. An invoice will be sent on the same day the fees are deducted. The invoice includes the fee rate, time period and the dollar amount of assets used to calculate the fee. Please see example below:

Time Period: 3/30/12 – 6/30/2012 (2<sup>nd</sup> quarter)

Asset Value: \$100,000.00

Fee Rate: 0.3125%

Fee amount: \$312.50

Financial planning fees are billed at time of completion. All fees are negotiable.

All services may be terminated at any time by SIS or the client upon written notice to the other. Termination shall be effective immediately upon receipt of written notice. Since Portfolio management service fees are billed quarterly in advance, SIS will refund the pro rata share of their fees computed on a daily basis for a 90-day quarter in the event a client engagement is terminated mid-billing period upon request. All management fee rebates will be processed within 5 business days of request.

#### Discretionary Portfolio Management

SIS provides investment advisory services on a discretionary basis. Clients receive professional management of assets (stocks, bonds, cash equivalents, and mutual funds) in accordance with their Investment Policy Statement. The fees for various types of portfolio services are as follows:

#### Equity, Balanced, and Mutual Funds

| Assets Under Management |           |             | Annual Fee |
|-------------------------|-----------|-------------|------------|
| \$0                     | to        | \$999,999   | 1.25%      |
| \$1,000,000             | to        | \$4,999,999 | 0.85%      |
| \$5,000,000             | and above |             | 0.60%      |

#### Fixed Income

| Assets Under Management |           |             | Annual Fee |
|-------------------------|-----------|-------------|------------|
| \$0                     | to        | \$999,999   | 0.90%      |
| \$1,000,000             | to        | \$4,999,999 | 0.75%      |
| \$5,000,000             | and above |             | 0.50%      |

#### Financial Planning

Financial plan – \$500

Update to financial plan – \$150

If the financial planning client uses SIS for investment supervisory services, there is no charge for a financial plan.

#### Accounts on Margin

Asset management fees for client accounts using margin or borrowed funds will be calculated on the gross value as shown on the custodian statement(s) without regard to or deduction of margin balance.

The above-referenced fees charged by SIS do not include brokerage commissions, exchange fees or internal fees charged by mutual funds and other packaged investments.

The client has the right to terminate a new Investment Management contract without penalty, within (5) five business days of signing the agreement.

### **Performance Based Fees**

SIS does not charge performance based fees.

### **Types of Clients**

SIS provides investment supervisory management services to individuals, pension and profit sharing plans, trusts, estates, corporations and similar organizations including charitable. SIS does not have minimum asset value or fee for opening and/or maintaining an account.

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

SIS utilizes a fundamental and technical approach to investment analysis. Its method of evaluating a security includes measuring its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. SIS attempts to study factors that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and company-specific factors (like financial condition and management).

SIS seeks to use real data to evaluate a security's value. For example, with bonds, by performing analysis by looking at economic influences, such as interest rates and the overall state of the economy, and information about the bond issuer, such as potential changes in credit ratings. For stocks, an analysis is made using revenues, earnings, future growth, return on equity, profit margins and other data to determine a company's underlying value and potential for future growth.

The purpose of performing a fundamental/technical analysis is to produce a value that an investor can compare with the security's current price, with the aim of determining what position to take with that security (underpriced = buy, overpriced = sell).

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

### **Investment Strategies**

SIS's investment strategies include utilizing long term strategies, short term strategies as appropriate to the client's needs and suitability. SIS offers a client continuous investment advice based upon the individual investment needs of a client in accordance with the SIS account documentation or client statement of policy.

The methods SIS uses to invest money will vary with time frame, size of account, investment objective, and risk tolerance.

It shall be the SIS goal is to purchase quality, favorably priced, securities that have a promising long term outlook. When market prices rise to the level of full valuation, the company shall be considered a candidate to be replaced with a more attractively priced issue. This process is generally longer term however; there are some occasions when a price increase can occur quickly, realizing profits in a shorter term (less than a year).

SIS believes quality is an important consideration in selecting bonds and income-producing investments. SIS also looks for situations where there can be an increase in the value of the issues as well as current income. For example, SIS searches for investments that may have improving credit qualities or convertible securities issued by growing companies that could become more valuable in the future.

## **Client Risk**

Past performance of any strategy is not indicative of future results. Investments in the securities markets are subject to market fluctuation and financial risk, which may include loss of capital.

## **Disciplinary Information**

SIS is not and has never been subject to any disciplinary action.

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

### **Activities**

SIS does not participate in any other industry business activities.

### **Affiliations**

SIS does not have arrangements that are material to its advisory business or its clients with any related person. We may at times recommend unrelated, third party investment managers who have a greater expertise in certain disciplines when appropriate for the client; we do not receive any compensation for the recommendation or selection of these investment advisors.

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

Individual securities may be bought, held or sold by a principal or employee of SIS that is also recommended to or held by a client, but we will prioritize our clients' interest ahead of our own. If potential insider information is inadvertently provided or learned by a principal or employee, it is the policy of SIS to strictly prohibit its use.

It is the policy of SIS to permit the firm, its employees to buy, sell and hold the same securities that SIS also recommends to clients. It is acknowledged and understood SIS performs investment services for various clients with varying investment goals and risk profiles. As such, the investment advice may differ between clients and investments made by SIS. Employees of SIS have no obligation to recommend for purchase or sale a security that SIS, its owners, principals, affiliates, employees may purchase sell or hold. SIS has procedures dealing with insider trading, employee related accounts, "front running" and other issues that may present a potential conflict when such purchase, sales or recommendations are made. In general, these policies and procedures are intended to eliminate, to the extent possible, the adverse effect on clients of any such potential conflicts of interest.

SIS has adopted a Code of Ethics that includes a periodic review of the securities transactions and holdings of all access persons of the company. SIS will provide a copy of the Code of Ethics to any client or prospective client upon request.

## **Brokerage Practices**

SIS suggests that clients use Charles Schwab as custodian and/or broker-dealer, although the client has the choice as to what custodian to use. The criteria for suggesting a broker/dealer include reasonableness of commissions, and other costs of trading, ability to facilitate trades, access to client records, computer trading support, and other operational considerations. These factors will be reviewed from time to time to assure the best interests of the client are upheld.

Some broker-dealers may provide research services to SIS in exchange for commission business. Research services and products may be useful to SIS in providing investment advice to any of the clients it advises. Likewise, information and services made available to SIS from brokerage firms effecting securities transactions for a client may be utilized on behalf of another client. There may be no correlation between the amount of brokerage commissions generated by a particular client and the indirect benefits received by that the client.

Transactions for each client account generally will be effected independently, unless Advisor decides to purchase or sell the same securities for several clients at approximately the same time. Advisor may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to



allocate equitably among Advisor'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 transaction costs and will be allocated among Advisor's clients in proportion to the purchase and sale orders placed for each client account on any given day.

SIS may recommend that clients establish brokerage accounts with a particular custodian that is a registered broker-dealer, member of SIPC, to maintain custody of clients' assets and to effect trades for their accounts. SIS is independently owned and operated and not affiliated with any custodian. Custodians may provide SIS with access to its institutional trading and custody services, which may not be available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis and are not otherwise contingent upon SIS committing to the custodian any specific amount of business (assets in custody or trading). The custodian's services may include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

The custodian generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through the custodian or that settle into the custodian's accounts.

Custodians may make available to SIS other products and services that benefit SIS but may not benefit its clients' accounts. Some of these other products and services assist SIS in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of SIS fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of SIS accounts, including accounts not maintained at the custodian. The custodian also makes available to SIS other services intended to help SIS manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, a custodian may make available, arrange and/or pay for these types of services rendered to SIS by independent third parties. The custodian may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to SIS. While as a fiduciary, SIS endeavors to act in its clients' best interests at all times and recommends that clients maintain their assets in accounts at the custodian may be based in part on the benefit to SIS of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

## **Review of Accounts**

SIS continuously reviews client portfolios. The company reconciles SIS statements against custodian statements quarterly. Each client account is assigned to a portfolio manager who reviews the account for accuracy and completeness.

All investment supervisory clients receive quarterly statements from the account's custodian and also receive quarterly statements from SIS.

## **Client Referrals and Other Compensation**

SIS does not receive compensation (other than from a client) for providing investment advice or advisory services to clients. Likewise, SIS does not compensate anyone who is not an employee (or supervised person) for client referrals.

## **Custody**

Charles Schwab will provide monthly statements directly to the client and SIS will provide quarterly statements directly to the client. SIS urges the client to carefully review statements provided by custodian and compare the SIS client statement and fee invoice to the statements provided by the custodian.

## **Investment Discretion**

SIS buys and sells securities for its discretionary investment supervisory client's accounts via a limited power of attorney granted by the client. There are no restrictions placed upon SIS that limit which security may be purchased or sold on behalf of the client or the amount of any security purchased, sold or held in a client's account unless specifically identified in writing in the client's statement of investment policy or client service agreement.

Neither SIS nor any employee will have the authority to withdraw funds or to take custody of client funds or securities except for authorized normal quarterly investment management fees.

Clients must select the custodian or brokerage firm that will retain their assets, but we suggest that our clients use Charles Schwab.

A client who designates use of a particular broker-dealer, including a client who directs use of a broker-dealer who will also serve as custodian, should consider whether, under that designation, commission expenses, execution clearance, and settlement capabilities, and whatever amount is regarded as allocable to custodian fees, if applicable, will be

comparable to those otherwise obtainable by SIS. (A client who designates use of a particular broker-dealer should understand that they will lose the possible advantage which non-designating clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security.)

### **Voting Client Securities**

SIS does not vote proxies for securities held in client accounts unless specifically requested by clients to do so. Clients can ask for advice regarding voting their proxies.

### **Financial Information**

SIS typically charges fees three months in advance and does not require or solicit prepayment of \$500 in fees per client six months or more in advance.

SIS does not have any financial condition that is likely to impair our ability to meet our contractual commitment to our clients.

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

Please see the Sound Investment Strategies Brochure Supplement to ADV 2A to learn more about formal education and business background of James Adams, Jed Sires, Blake Scott & Stephen Guss.