

# Jackson Financial Management

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## **Brochure Dated 3/27/2014**

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**This brochure provides information about the qualifications and business practices of Jackson Financial Management. If you have any questions about the contents of this brochure, please contact us at (714) 434-6900 or [lwearp@jfmcorp.com](mailto:lwearp@jfmcorp.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 Jackson Financial Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Jackson Financial Management 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**

There have been no material changes made to Jackson Financial Management, LLC's disclosure statement since last year's Annual Amendment filing on March 21, 2013.

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#### Item 4 Advisory Business

- A. Jackson Financial Management (the “Registrant”) is a corporation formed on January 23, 1998 in the State of California. The Registrant became registered as an Investment Adviser Firm in August 1998. The Registrant is principally owned by Tracy Jackson. Mr. Jackson is the Registrant’s Principal.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, pension and profit sharing plans and charitable organizations, 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 engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management, generally between 0.25% and 1.25%.

#### FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant’s planning and consulting fees are negotiable, but generally range from \$500 to \$10,000 on a fixed fee basis, and from \$45 to \$375 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant to provide planning or consulting services, clients are 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. 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 registered broker-dealers and/or licensed insurance agents. (*See* disclosure at Item 10 C.1 and 10 C.8). 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.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, cash flow planning, risk management, business planning, real estate planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, 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, etc.), including representatives of the Registrant in their separate registered/licensed capacities as discussed below. 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.

**Services to other Advisers.** In addition to the above investment advisory services, the Registrant may also provide investment consulting services to other registered investment advisers.

**Comprehensive Reporting.** Registrant, in conjunction with the services provided by ByAllAccounts, Inc., may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by the Registrant (the "Excluded Assets"). Should the client receive such reporting services, the client acknowledges and understands that with respect to the Excluded Assets, the Registrant's service is limited to reporting services only and does not include investment management, review, or monitoring services, nor investment recommendations or advice. As such, the client, and not the Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets. In the event the client desires that the Registrant provide investment management services with respect to the Excluded Assets, the client may engage the Registrant to do so for a separate and additional fee pursuant to the terms and conditions of the *Investment Advisory Agreement* between the Registrant and the client.

**Private Investment Funds.** Registrant may provide investment advice regarding unaffiliated private investment funds. The Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. **Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).**

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete

discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Independent Managers.** For those clients that require an enhanced and/or specialized level of asset management services, Registrant may also recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager[s] and/or investment programs (the "*Independent Manager[s]*"), based upon the stated investment objectives of the client, including investment managers and/or programs selected and/or recommended by Registrant in conjunction with the services provided by Lockwood Financial Group. The terms and conditions under which the client shall engage the *Independent Manager[s]* shall be set forth in separate written agreements between the client and the Registrant and the client and the designated *Independent Manager[s]*. The Registrant shall continue to render advisory services to the client relative to the ongoing monitoring and reviewing of account performance, for which Registrant shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Manager[s]*. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Manager[s]*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, Registrant's investment advisory fee set forth above. In addition to the fees charged by the Registrant, the designated *Independent Manager[s]* and corresponding broker-dealer/custodian, the client, relative to any mutual fund purchases, shall incur charges imposed at the mutual fund level (i.e. advisory fees and other fund expenses).

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis **must be willing to accept** that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's verbal consent.**

**Structured Notes.** Registrant may purchase structured notes for client accounts. A structured note is generally a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. However, Registrant may also recommend structured notes that do not contain a debt security. A structured note is essentially a promissory note, carrying counter party risk of the issuer. However, the return on the note is linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes structured products unique, as the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some cap on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the note is held for more than one year. There can be no assurance that any such product will prove profitable or successful. In light of the enhanced risks/rewards, a client may direct the Registrant, in writing, not to purchase such product(s) for his/her/their/its accounts. **In the event that a client has any questions regarding the purchase of structured notes for his/her/its account, Registrant's Chief Compliance Officer, Tracy O. Jackson, remains available to address them.**

**Please Note: Inverse/Enhanced Market Strategies.** The Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**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. Moreover, 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.

**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*.

- 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, 2013, the Registrant had \$349,479,845 in assets under management on a discretionary basis, \$3,054,328 in assets under management on a non-discretionary basis and \$24,165,866 in 401K assets under advisement.

## Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis.

### INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis, the Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management (between 0.25%-cash management services only- and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
\$0 to \$1,000,000*	1.00%
\$1,000,000 - \$2,500,000	0.80%
\$2,500,000 - \$5,000,000	0.60%
Over \$5,000,000	Negotiable

**\*Please note:** The Registrant *generally* imposes an additional annual charge of 25 basis points on client relationships with less than \$500,000 aggregate assets under the Registrant's management. As a result, advisory services for such accounts may be available from other advisers at a lower fee. All such clients should be guided accordingly.

### FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$500 to \$10,000 on a fixed fee basis, and from \$45 to \$375 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). After first year of engaged financial planning services, annual updates for planning or consulting are billed at an annual rate of \$750 to \$2,500. This fee may be reduce or eliminated at the sole discretion of the Registrant.

- 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. The Registrant shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous 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).

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian.

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. Registrant generally imposes a \$500,000 account minimum and a \$5,000 minimum annual fee for investment advisory services. However, Registrant, in its sole discretion, may charge a lesser investment management fee 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.).

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 client will be billed the greater of the investment advisory fee pro-rated through the date of termination, or a \$500 flat fee (covering all administrative and professional costs associated with the initial planning and preparation of the client portfolio).

- E. **Commission Transactions.** In limited circumstances, in the event the client desires to implement on a non-discretionary *commission* basis, the client can engage the Registrant's Principal, Tracy Jackson, in his individual capacity as registered representatives of Purshe Kaplan Sterling Investments ("PKS"), a FINRA member broker-dealer, to implement investment recommendations on a fully disclosed commission basis. In the event the client chooses to implement by purchasing investment products through the Registrant's Principal, in his individual capacity as registered representatives of PKS, brokerage commissions will be charged by PKS to effect securities transactions, a portion of which commissions shall be paid by PKS to Registrant's Principal. Prior to effecting any transactions, the client will be required to enter into a new account agreement with PKS. The brokerage commissions charged by PKS may be higher or lower than those charged by other broker-dealers. In addition to brokerage commissions, the client may incur, relative to all mutual fund purchases, charges imposed at the mutual fund level (i.e. advisory fees, 12b-1 distribution charges, and other fund expenses). PKS, as well as Registrant's Principal, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from PKS presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on



commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from PKS. **The Registrant's Chief Compliance Officer, Tracy Jackson, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

2. **Please note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant generally does not receive more than 7% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). **However,** a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

## **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, business owners trusts, pension and profit sharing plans and charitable organizations. Registrant generally imposes a \$500,000 account minimum and a \$5,000 minimum annual fee for investment advisory services. However, Registrant, in its sole discretion, may charge a lesser investment management fee 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 shall utilize the following methods of security analysis:
  - **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - **Technical** – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**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.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases- are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, Registrant primarily allocates investment management assets of its client accounts among individual equity and fixed income securities, mutual funds and/or exchange traded funds and various independent investment managers on a discretionary and a non-discretionary basis, in accordance with the investment objectives of the client.

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. **Registered Representative of PKS.** As disclosed above in Item 5.E, Registrant's Principal, Tracy Jackson is also registered representatives of PKS, a FINRA member 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.

**Registered Representatives of a Broker-Dealer: Commission Transactions.** In limited circumstances, in the event the client desires to implement on a non-discretionary commission basis, the client can engage the Registrant's Principal, Tracy Jackson, in his individual capacity as registered representatives of Purshe Kaplan Sterling Investments ("PKS"), a FINRA member broker-dealer, to implement investment recommendations on a fully disclosed commission basis.

**Licensed Insurance Agents.** Tracy Jackson and certain other representatives of the Registrant, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Registrant's representatives to effect insurance transactions on a commission basis.

- **Conflict of Interest:** The recommendation by either Tracy Jackson or the Registrant's representatives that a client purchase a securities or insurance commission product presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Tracy Jackson or any of the Registrant's representatives. Clients are reminded that they may purchase securities or insurance products recommended by Registrant through other, non-affiliated insurance agents or broker-dealers. **The Registrant's Chief Compliance Officer, Tracy Jackson, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. The Registrant does not receive compensation, directly or indirectly, for selecting other registered investment adviser firms for clients.

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

- A. 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 Registrant 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 an Access Person 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 Registrant 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 *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 a broker-dealer's 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. Soft Dollar Arrangement

In return for effecting securities transactions through a designated broker-dealer/custodian, the Registrant may receive certain investment research products or services which assist the Registrant in its investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft-dollar" arrangement). Investment research products or services received by the Registrant may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by the 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 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 a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although the Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Although the investment research products or services that may be obtained by the Registrant will generally be used to service all of the Registrant's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or services obtained by the Registrant that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, the Registrant shall make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to the Registrant's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by the Registrant with hard dollars. 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 Chief Compliance Officer, Tracy Jackson, remains available to address any questions that a client or prospective client may have regarding the**

**above arrangement and any corresponding conflict of interest such arrangement may create.**

**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 provide 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 entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Tracy Jackson, 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, Tracy Jackson, 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 Principal and/or 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 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 telephonically) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis, as applicable. Reviews may be triggered by changes in a number of areas including a client's objectives, income and cash flow, tax laws, family status, disposition of assets, gift or inheritances, and health.
- B. The Registrant *may* conduct account reviews on an other than 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 and/or from the broker-dealer/custodian for the client accounts. Those clients to whom Registrant provides investment supervisory services will also receive, from Registrant, a quarterly report summarizing account activity and performance.

### **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 entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Tracy Jackson, 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. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

## **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 and/or from the broker-dealer/custodian for the client accounts. Those clients to whom Registrant provides investment supervisory services will also receive, from Registrant, a quarterly report summarizing account activity and performance.

**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 determine 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 agent of record and granting the Registrant limited authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name 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**

Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies in conjunction with the proxy voting administrative and due diligence services provided by Proxy Edge, an unaffiliated nationally recognized proxy voting service of Broadridge Financial Solutions, Inc.. **However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.. Registrant, in conjunction with the services provided by Broadridge Financial Solutions, Inc., shall monitor corporate actions of individual issuers and investment companies consistent with Registrant's fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Registrant (in conjunction with the services provided by Broadridge Financial Solutions, Inc.) shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206 (4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Tracy Jackson.

## **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, Tracy Jackson, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**