

**Part 2A Appendix 1 of Form ADV: *Wrap Fee Program Brochure***

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**Cannon Beach Wrap Program**

07/16/2014

This wrap fee program brochure provides information about the qualifications and business practices of Cannon Beach Financial Advisors. If you have any questions about the contents of this brochure, please contact us at 888-839-9399 or [Info@CannonBeachCo.com](mailto:Info@CannonBeachCo.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.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Cannon Beach Financial Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 140959.

## Item 2    Material Changes

This Wrap Fee Program Brochure, dated 07/16/2014, provides you with a summary of Cannon Beach Consultants Inc. advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of 12/31/2013. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Wrap Fee Program Brochure dated 03/25/2013:

- Changed the allocation of transaction fees - all transaction fees will be charged to the clients to remove any potential conflict of interest related to trading activity
- Raised minimum account participation level to \$500,000 per household for new accounts
- Modified our business name to Cannon Beach Consultants, Inc. DBA Cannon Beach Financial Advisors
- Updated address for our corporate headquarters in California to 2603 Camino Ramon, Bishop Ranch 3, Suite 422, San Ramon, CA 94583
- Updated the ownership of the corporation, as of 5/31/2014

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## **Item 4 Services Fees and Compensation**

### **INVESTMENT MANAGEMENT SERVICES**

Cannon Beach Consultants Inc DBA Cannon Beach Financial Advisors (CBFA) is a SEC-registered investment adviser with our principal place of business located in CA. Cannon Beach Consultants Inc (CBC) began conducting business in 2006 as Chang Moore Jones Inc, and subsequently changed its formal corporate business name to the current one in 2011.

We sponsor the Cannon Beach Wrap Program (the "Program"), a wrap fee program. A wrap fee program is an advisory program under which a specified fee or fees not based directly on transactions in the client's account is charged for advisory services, which may include portfolio management or advice concerning the selection of other investment advisers, and the execution of client transactions.

This Wrap Fee Program Brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program. For a complete description of the other services and fees offered by our firm, clients should refer to our Form ADV Part 2: Firm Brochure.

You may obtain a copy of our Firm Brochure by contacting us at 2603 Camino Ramon, Suite 422, San Ramon CA 94583, 888-839-9399, or [Info@CannonBeachCo.com](mailto:Info@CannonBeachCo.com)

### **PORTFOLIO MANAGEMENT PROGRAM**

Through the Cannon Beach Wrap Program, clients are provided with portfolio management services using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal.

Through personal discussions with the client in which the client's goals and objectives are established, we determine if the model portfolio is suitable to the client's circumstances. Once we determine the suitability of the portfolio, the portfolio is managed based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

We manage these advisory accounts on a discretionary basis.

### **JOINING THE PROGRAM**

To join the Program a person must:

- (1) Complete an investor profile that describes the Client's financial needs, investment objectives, time horizon, and risk tolerance, as well as any other factors relevant to the Client's specific financial situation (the "Investor Profile") and any other supporting documentation required for the Program;
- (2) Complete the investment advisory wrap fee agreement (the "Program Agreement") with CBFA and become a client ("Client") of the Program;
- (3) Complete a new account agreement with Fidelity Investments or another broker dealer

approved by CBFA for participation in the Program ("Broker-Dealer"); and

(4) Open a securities brokerage account with the Broker-Dealer ("Account") and deposit those client assets designated for participation in the Program ("Program Assets") into the Account.

**Types of Securities:** As appropriate to the needs of the client, the following types of securities may be utilized in the client's portfolio:

<u>Equities</u>	<u>Fixed-Income</u>	<u>Mutual Funds</u>	<u>Other</u>
Listed/OTC	Corporate Bonds	No-load	Non-tradeable REIT
Preferred	U.S. Treasuries	Load-Waived	
ADRs	Mortgage-backed	Money Market	
Closed-end funds	Unit Trusts		
REITs	Municipal Bonds		
ETFs, ETNs	Certificates of Deposit		

Because some types of investments involve certain additional degrees of risk, they will only be recommended and/or implemented when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. provide annual worksheet to each participating client requesting any updated information regarding changes in the client's financial situation and investment objectives;
2. at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
3. be reasonably available to consult with the client; and
4. maintain client suitability information in each client's file.

### **Program Fees**

As a condition for participating in the Program, CBFA generally imposes a minimum Program Fee of \$1,000. However, CBFA may, in its sole discretion, may charge a lesser Program Fee based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, portfolio composition, related accounts, and pre-existing relationships.

The annualized fee for Cannon Beach Wrap Program are charged as a percentage of assets under management, according to the following schedule:

**Assets Under Management****Annual Fee (Tier 2)**

Account Balances (excluding active retirement plans)

From	To	Annual Tier 2 Rate %
\$ -	\$ 100,000.00	1.55%
\$ 100,001.00	\$ 250,000.00	1.05%
\$ 250,001.00	\$ 500,000.00	0.90%
\$ 500,001.00	\$ 1,000,000.00	0.83%
\$ 1,000,001.00	(and higher)	0.65%

Active retirement plans are assessed an annual flat 0.30%; invoiced quarterly

**Assets Under Management****Annual Fee (Tier 1)**

Account Balances (excluding active retirement plans)

From	To	Annual Tier 1 Rate %
\$ -	\$ 100,000.00	1.55%
\$ 100,001.00	\$ 250,000.00	1.05%
\$ 250,001.00	\$ 500,000.00	0.75%
\$ 500,001.00	\$ 1,000,000.00	0.68%
\$ 1,000,001.00	(and higher)	0.50%

Active retirement plans are assessed an annual flat 0.30%; invoiced quarterly

Tier 1 pricing is available only for CBFA clients that engage in on-going financial planning services. Cannon Beach Financial Advisors advisory fees are typically not negotiable.

**How are Fees Charged?**

The Program Fee is payable quarterly, in advance, based upon the market value of the assets in the Account as valued by the Custodian on the last day of the previous quarter. As a condition for participating in the Program, CBFA generally imposes a minimum annual Program Fee of \$1,000. CBFA in its sole discretion, may charge a lesser Program 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, *pro bono* purposes, etc.).

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets may be adjusted or prorated based on the number of days remaining in the quarter. Clients may withdraw account assets on notice to the Registrant, subject to the usual and customary securities settlement procedures. The Registrant designs its portfolios as long-term investments and assets withdrawals may impair the achievement of a client's investment objectives. Program Fees are calculated *pro rata* for partial initial billing periods based upon the value of the assets in the Account and the number of days in the calendar quarter. If the Program is terminated, the Program Fee will be assessed *pro rata* and any unearned fees will be refunded to the Client in a timely manner.

**Payments to Investment Managers.** On the client's behalf, Cannon Beach Consultants Inc does not pay any portion of the fee we receive from the client to the selected investment manager(s) for that investment manager's services to the client.

Although these amounts may be changed from time to time without notice to clients, such changes will not impact the fees paid by clients.

**What services are covered by the Program fees?** The Program fees pay for our firm's advisory services to clients under the Program, administrative expenses of the Program, custody charges for clients' assets custodied at Fidelity Institutional Wealth Services and brokerage services for Program accounts to the extent trades are conducted through Fidelity Institutional Wealth Services.

**What services are not covered by the Program fees?** The Program fees do not cover all transaction fees related to specific trades, or brokerage costs to the extent trades are conducted through brokers or dealers other than Fidelity Institutional Wealth Services and custody charges if client assets are custodied anywhere other than Fidelity Institutional Wealth Services. The Program fees do not include expenses of mutual funds and electronically traded funds such as fund management fees charged to each fund's investors,

**Other Fees and Expenses.** Clients may incur charges for other account services provided not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial fees, safekeeping fees, wire transfer fees, interest charges on margin loans, exchange fees, and fees for transfers of securities.

**Additional Information about Program fees.** Under the Program, the participant receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified Program Fee. Clients are cautioned that depending on the level of fees charged by the executing broker-dealer, and the amount of portfolio activity in the clients' account, the value of the services provided under this Program may exceed the total cost of such services had they been provided separately. In addition, the Program Fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund Fees:** All fees paid to Cannon Beach Financial Advisors for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Exchange-Traded Funds.** Shares of ETFs held in client accounts are bought and sold on an exchange and not, like mutual funds, directly from the fund itself. The price of ETF shares fluctuates

in accordance with changes in the net asset value (NAV) per share, as well as in response to market supply and demand. Accordingly, ETF shares may trade at a price which differs from NAV per share of the ETF.

**Grandfathering of Minimum Account Requirements:** Pre-existing ("legacy") advisory clients are subject to Cannon Beach Financial Advisors minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** Cannon Beach Financial Advisors is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Cannon Beach Financial Advisors may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Cannon Beach Financial Advisors' advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered.

## OTHER COMPENSATION

We have not entered into marketing arrangements with independent investment adviser and/or broker-dealer firms pursuant to which representatives of their firms ("Solicitors") offer our services, including participation in this program, to the public. As required by applicable law, the details of the solicitation arrangement, including the compensation payable to the solicitor, will be described to the client in a separate document provided to the client at the time of the referral.

## Item 5 Account Requirements and Types of Clients

### MINIMUM ACCOUNT REQUIREMENTS

Participation in this program is subject to certain minimum account requirements. For a more detailed understanding of these requirements, please review the disclosures provided in the preceding section.

Minimum account sizes are \$500,000 at the time of signed Program Agreement. Certain "legacy" advisory clients may or may not have this minimum account size restriction.

Cannon Beach Wrap Program clients must direct Cannon Beach Financial Advisors as to the broker dealer/custodian to be used in managing their account. As a condition for program participation, clients are required to direct us to custody their assets with and to place trades through Fidelity Institutional Wealth Services. Fidelity Institutional Wealth Services (FIWS) is an affiliated FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage



accounts. Cannon Beach Financial Advisors has negotiated an arrangement with Fidelity Institutional Wealth Services to provide custodial and brokerage services as part of the Cannon Beach Wrap Program. As such, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker dealer/custodian other than Fidelity Institutional Wealth Services. Please refer to the "Other Financial Industry Activities and Affiliations" section of Item 9 for additional information.

All transactions in the Account are cleared through the Broker-Dealer. Either the Broker-Dealer or a custodian meeting the requirements of a "qualified custodian" as defined under Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended, will maintain custody of the Participant's Program Assets. Program Participants will receive confirmations of transactions executed for their Account from the Broker-Dealer as well as periodic account statements as agreed with the Broker-Dealer and/or Custodian.

## **TYPES OF CLIENTS**

Cannon Beach Financial Advisors generally provides advisory services in the Cannon Beach Wrap Program, where appropriate, to individuals and high net worth individuals.

## **Item 6 Portfolio Manager Selection and Evaluation**

### **PORTFOLIO MANAGER SELECTION**

As previously disclosed, all participating clients' assets are managed by advisory personnel of our firm. These individuals must possess, minimally, a college degree and/or appropriate business experience and all required licenses. Please refer to Item 4 for detailed disclosures regarding the portfolio management services we provide to program clients.

### **PORTFOLIO PERFORMANCE REPORTING**

Cannon Beach Financial Advisors calculates the performance of all participating accounts based on standards drawn from industry sources, including the CFA Institute's Global Investment Performance Standards ("GIPS"). Performance is currently calculated by taking into account at least the following items: a time-weighted rate of return; cash flows into and out of the accounts; monthly valuations; and income accrued on fixed income securities.

As noted above under Services, Fees and Compensation (Item 4), Cannon Beach Financial Advisors has partnered with FIWS to provide brokerage, custodial and other services for the Cannon Beach Wrap Program. We rely upon Morningstar, via their online software tool ("Morningstar Office") to calculate portfolio performance. Morningstar Office uses the Bank Administration Institute ("BAI") method when computing performance. The BAI method is compliant with Global Investment Performance Standards ("GIPS," formerly known as the AIMR Performance Presentation Standards). The BAI is a non-profit organization that focuses on improving banking standards (in the operations and auditing areas). GIPS is a set of standardized, industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients.

### **AFFILIATED PORTFOLIO MANAGERS**

As previously disclosed, all client assets in this program are managed by our portfolio managers.

Please refer to Item 4 for a detailed description of Cannon Beach Wrap Program's services and fees.

## PERFORMANCE-BASED FEES

Our firm does not accept performance-based fee from Program clients. Clients should be aware that performance-based fee arrangement may create an incentive for us to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

## METHODS OF ANALYSIS

We typically use the following methods of analysis in formulating our investment advice and/or managing client assets (not listed in any order of priority or preference):

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a

particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Third-Party Money Manager Analysis.*** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## ***INVESTMENT STRATEGIES***

We may use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations (not listed in any order of priority or preference):

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

**Risk of Loss.** Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

## **VOTING CLIENT SECURITIES**

CBFA may agree to vote proxies on behalf of certain Clients in the Program. When CBFA accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its Clients. Absent special circumstances, which are fully-described in CBFA's Proxy Voting Policies and Procedures ("Proxy Voting Policy"), all proxies will be voted consistent with the guidelines established and described in CBFA's Proxy Voting Policy, as they may be amended from time-to-time ("Proxy Voting Guidelines"). At any time, Clients may contact CBFA to request information about how they voted proxies for that Client's securities or to get a copy of the CBFA's Proxy Voting Policy.

A brief summary of CBFA's Proxy Voting Policy is as follows:

- CBFA has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of Clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to CBFA's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are to be followed as a general policy, certain issues will be considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, CBFA shall devote an appropriate amount of time and resources to monitor these changes.
- In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that CBFA maintains with persons having an interest in the outcome of certain votes, CBFA will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its Clients and are not the product of such conflict.

### **Item 7 Client Information Provided to Portfolio Managers**

Individuals affiliated with our firm are responsible for developing an initial financial profile of the prospective client. Prior to opening an account, we assist in determining a participant's profile for the Program by obtaining from the participant appropriate information (e.g., financial planning goal(s), investment objectives, risk tolerance, time horizon, and any reasonable restrictions the client wishes to impose upon the management of the account). Initial investment strategy is jointly determined based on an assessment of the information provided by the client.

While we provide the client with periodic reminders, it remains the client's responsibility to advise us of any changes to the information previously provided that might impact the ongoing suitability of any prior determined investment strategy(ies) and/or objectives. We will promptly communicate any reported changes to the client's portfolio manager.

Cannon Beach Financial Advisors' investment advisory personnel will directly contact each wrap fee program client at least annually to verify that there has been no change in the client's financial circumstances and/or investment objectives, and determine whether the client wishes to impose any

reasonable restrictions on the management of the account(s). Any such changes or requests are communicated in writing to the client's portfolio manager, who is responsible for implementing appropriate adjustments to the client's portfolio.

## **Item 8 Client Contact With Portfolio Managers**

Clients utilizing third party portfolio managers for management of their assets generally do not come in contact with their portfolio managers. In this program, Cannon Beach Financial Advisors representatives typically serve as the communication conduit between the client and the independent manager. Clients are required to contact their financial consultant with any questions they may have regarding their account(s).

## **Item 9 Additional Information**

### **Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

As previously disclosed, clients are required to direct us to custody their assets with and to place trades through Fidelity Institutional Wealth Services as a condition for participation in the Cannon Beach Wrap Program. Fidelity Institutional Wealth Services is an affiliated FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. Our firm has evaluated Fidelity Institutional Wealth Services and believes that it will provide our clients with a blend of execution services, commission costs, and professionalism that will assist us in meeting our fiduciary obligations to clients.

In evaluating such an arrangement, the client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by Cannon Beach Financial Advisors on a trade-by-trade basis, and best execution may not be achieved. In addition, as noted above in Item 4, transactions in the client's account are effected "net" (i.e., without separate commission charge to the client) and a portion of the wrap fee is generally considered as being in lieu of commissions. Not all advisers require clients to direct it to use a particular broker dealer, though the sponsors of wrap fee programs typically do.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct

that we require of our employees, including compliance with applicable federal securities laws.

Cannon Beach Financial Advisors and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Cannon Beach Financial Advisors' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [Info@CannonBeachCo.com](mailto:Info@CannonBeachCo.com), or by calling us at 888-839-9399.

Cannon Beach Financial Advisors and individuals associated with our firm are prohibited from engaging in principal transactions.

Cannon Beach Financial Advisors and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

## **Review of Accounts**

Cannon Beach Financial Advisors reviews client accounts no less often than quarterly. More frequent reviews may be triggered in the event of changes in management style or fund closures. Account reviews are conducted by Junmin Chang or Gregory Rogers.

At least annually, we meet with the client (either in person or over the phone) to review and update, as necessary, the client's investment profile. However, should there be any material change in the client's personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision of the client's investment profile is warranted.

All clients receive account statements from their custodian on at least a quarterly basis. Additionally, we provide clients with periodic performance measurement summary reports, usually on an annual basis.

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

It is Cannon Beach Financial Advisors' policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### **Financial Information**

As an advisory firm that maintains discretionary authority for client accounts we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Cannon Beach Financial Advisors has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Cannon Beach Financial Advisors has not been the subject of a bankruptcy petition at any time during its existence since 2006, nor have any of its major shareholders in the past ten years.