

## **Amidon & Petersen Financials, LLC**

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### **FORM ADV PART 2A BROCHURE**

**This brochure provides information about the qualifications and business practices of Amidon & Petersen Financials. If you have any questions about the contents of this brochure, please contact us at 518-852-3815. 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 Amidon & Petersen Financials is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Amidon & Petersen Financials is 143079.**

**Amidon & Petersen Financials is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated March 20, 2018 we have made the following material changes:

### Item 7 Types of Clients

The normal minimum balance to participate in our Direct Asset program is \$40,000. The exceptions would be a client who is using either a single Model, or our Index Program, made up of Exchange Traded Funds. The minimum for a single strategy would be \$10,000 and for the Index Program would be \$2,500. Anything below those amounts will be invested utilizing mutual funds.

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

We hire companies which provide fundamental analysis, giving us a list of eligible investments. We then use technical analysis to determine which of those should be in use at any given time.

We believe that by using an asset allocation to include different asset classes, different portfolio managers, and different strategies, we help to provide the diversification needed to reduce the risk of a portfolio. We use Riskalyze to help match the portfolio mix with the client's individualized risk tolerance.

Where possible, we build portfolios which are comprised of a Fixed Income component and an Equity component, and a Cash reserve. The Fixed Income component is then subdivided into Directly Held Bonds and some mutual funds to provide liquidity. The Equity component is divided into three sleeves. The first sleeve is made up of a combination of our model portfolios, the second sleeve is made up of mutual funds or third party asset managers, and the third sleeve is made up of equity index oriented exchange traded funds or mutual funds.

When a client is taking regular distributions for income purposes, we build into our portfolios a ladder of bonds designed to mature as the cash flow is needed, thus reducing the need to take from an equity portfolio if and when it is down in value.

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

#### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities. Generally trades are placed as block trades where ALL parties have the same average execution price. See: Block Trades below.

#### **Agency Cross Transactions**

An agency cross transaction for an advisory client occurs when we, or one of our affiliates, acts as a broker for a transaction in which one of our advisory clients is on one side of the transaction and another advisory client is on the other side of the transaction. We may, when we consider the transaction to be in your best interest, execute such transactions. Clients may revoke the authorization to effect agency cross transactions at any time by providing us with written notice. In circumstances

where we execute an agency cross transaction, we undertake to confirm that the buyer and seller are not related parties and that the transactions are executed at market price. We will review all trades executed as an agency cross for compliance with our best execution policy.

#### Item 12 Brokerage Practices

##### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading") whenever possible. We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

#### Item 14 Client Referrals and Other Compensation

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

#### Item 16 Investment Discretion

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s), the broker or dealer to be used for each transaction, and over the commission rates to be paid without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

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## Item 4 Advisory Business

### Description of Services and Fees

Amidon & Petersen Financials is a registered investment adviser based in Niverville, New York. We are organized as a limited liability company under the laws of the State of New York and have been providing investment advisory services since 2007. Our members individually have more than 30 years experience in the financial services industry. Douglas S. Petersen is our principal owner. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Financial Planning Services**
- **Portfolio Management Services**
- **Selection of Other Advisers**
- **Pension Consulting Services**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Amidon & Petersen Financials and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person or Investment Adviser Representative throughout this brochure. As used in this brochure, our Associated Persons or Investment Adviser Representatives are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Financial Planning and Consulting Services

We offer modular and consultative financial planning services to clients who require advice on specific areas of their finances. Financial plans can be limited to retirement planning, educational planning, and estate planning, or it can start with your budget and include a detailed lifetime plan. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we review and analyze the information you provide to our firm, we will deliver a written plan or verbal recommendation to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

The initial consultation with our firm is free. We charge a fixed fee of \$250 for a basic financial plan, which is negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives. We also offer complex financial planning services and general consulting services on an hourly basis. Our rate for such services is \$200 per hour and is negotiable depending on the scope and complexity of the plan, your financial situation, and your objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you in advance and request that you approve the additional fee. Fees are due upon completion of services rendered. Under no circumstances will we require prepayment of a fee more than six months in advance and in excess of \$500.

We will reduce the fee to \$100 if you choose to participate in our portfolio management program with up to \$50,000 in assets under management and will waive the fee if you deposit \$50,000 or more in assets under management, or purchase commissionable products through associated persons of the firm in their separate capacities as insurance agents or registered representatives. However, you are under no obligation to act on our financial planning recommendations. Should you choose to act on

any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

We also offer budget preparation at an hourly rate of \$200 after the initial consultation.

You may terminate the financial planning agreement within five days from the date of acceptance without penalty. After the five day period, either you or the firm may terminate the financial planning agreement by providing written notice to the other party. You will incur a pro rata charge for services rendered prior to the termination of the agreement. Refunds are not applicable since fees are paid upon completion of services rendered.

### **Portfolio Management Services**

We offer discretionary and non-discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. Once we construct an investment portfolio for you, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following fee schedules. As disclosed in Item 12, we recommend the brokerage and custodial services of TD Ameritrade, Inc., and under some circumstances, the custodial services of Trust Company of America. In addition to our investment advisory fee, you will also incur transaction charges and/or brokerage fees when purchasing or selling securities. TD Ameritrade, Inc. offers a program whereby such charges are billed in the form of asset-based fees in lieu of transaction-based fees. Where appropriate for the client's account, and depending on the client's account value and the strategy we implement for the client's portfolio, we may recommend that clients elect to be charged an asset-based fee for securities transactions.

<b>Assets Under Management <sup>2,3,4</sup></b>	<b>Equities/Mutual Funds</b>	<b>Bonds</b>	<b>Asset Based Trading Fee<sup>1</sup></b>
First \$99,999.99	1.20%	0.75%	0.30%
Next \$150,000	1.10%	0.70%	0.30%
Next \$250,000	1.00%	0.65%	0.30%
Next \$250,000	0.85%	0.60%	0.30%
At or above \$750,000	0.70%	0.50%	0.30%

<sup>1</sup> Any clients which are under the control of our firm and on either the TD Ameritrade or Trust Company of America platforms will never be charged a commission either on the purchase or sale of the security. If not enrolled in an Asset Based Fee arrangement with the custodian, there may be a nominal transaction fee charged by the custodian for trades done on their platform.

<sup>2</sup> At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above. We may also consider giving discounts to clients who have been long term loyal clients.

<sup>3</sup> TD Ameritrade charges and collects the Asset Based Fee.

<sup>4</sup> TD Ameritrade collects an \$6.95 fee on all stock or exchange traded funds transactions in accounts other than those designated as Asset Based Fee Accounts. Other TD Ameritrade fee schedules apply to other asset types, such as Options.

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement within five days from the date of acceptance with no penalty. After the five-day period, either you or our firm may terminate the portfolio management agreement upon 30-days' written notice to the other party. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian please call our main office number located on the cover page of this brochure.

### **Selection of Other Advisers**

As part of our investment advisory services, we may recommend that you use the services of a third party investment adviser ("TPA") to manage your entire, or a portion of your, investment portfolio. After gathering information about your financial situation and objectives, we will recommend that you engage a specific TPA or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPA's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the TPA(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

We do not charge you a separate fee for the selection of other advisers. We will share in the advisory fee you pay directly to the TPA. The advisory fee you pay to the TPA is established and payable in accordance with the brochure provided by each TPA to whom you are referred. These fees may or may not be negotiable. Our compensation may differ depending upon the individual agreement we have with each TPA. As such, a conflict of interest may arise where our firm or our Associated Persons



may have an incentive to recommend one TPA over another TPA with whom we have more favorable compensation arrangements or other advisory programs offered by TPAs with whom we have less or no compensation arrangements.

You will be required to sign an agreement directly with the recommended TPA(s). You may terminate your advisory relationship with the TPA according to the terms of your agreement with the TPA. You should review each TPA's this brochure for specific information on how you may terminate your advisory relationship with the TPA and how you may receive a refund, if applicable. You should contact the TPA directly for questions regarding your advisory agreement with the TPA.

### **Pension Consulting Services**

We offer pension consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include an existing plan review, asset allocation advice, money management services, communication and education services where we assist the plan sponsor in providing meaningful information regarding the retirement plan to its participants, investment performance monitoring, and/or ongoing consulting. We may have agreements with third party administrators ("TPA") to provide these services as part of the TPA's agreement with the plan. In these instances, the TPA may pay a portion of the fee charged to the plan to our firm for their services. In other instances, we may be introduced to a plan through a TPA and will provide service directly to the plan.

We will hold educational seminars for the plan employees and provide information on the plan specifics and allocation choices. We will also meet with individual plan participants and offer personalized information based on their individual objectives.

The compensation arrangement for these services will be based on the same fee schedule shown above in the portfolio management section of this brochure. The type and amount of the fees charged to you, subject to negotiation, will be based on the scope and complexity of the qualified plan and the requested services. An estimate of the total cost will be determined at the start of the advisory relationship. Our firm requires the payment of fees quarterly in advance for our pension consulting services. Under no circumstance will we require prepayment of a fee more than six months in advance and in excess of \$500.

Accounts are regulated under the Employee Retirement Income Securities Act ("ERISA"). We will provide consulting services to the plan fiduciaries as described above. Typically, the named plan fiduciary must make the ultimate decision as to retaining the services of such investment advisers as we recommend. The plan fiduciary is free to seek independent advice about the appropriateness of any recommended services for the plan.

You may terminate the pension consulting agreement within five days from the date of acceptance without penalty. After the five-day period, either party to the pension consulting agreement may terminate the agreement upon written notice to the other party. The pension consulting fees will be prorated for the quarter in which the termination notice is given and any unearned fees will be refunded to the client.

### **Types of Investments**

We generally offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, mutual funds, exchange traded funds, variable annuities, variable life insurance, U.S. Government securities, options contracts on securities, interest in partnerships investing in real estate, and 1031 property exchanges.



You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of March 20, 2019, we provide continuous management services for \$25,652,542 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

Please refer to the "Advisory Business" section in this brochure for information on our advisory fees, fee payment arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. Transaction charges may be in the form of asset-based fees in lieu of a transaction-based fee. Where appropriate for the client's account, and depending on the client's account value and the strategy we implement for the client's portfolio, we may recommend that clients elect to be charged an asset-based fee for securities transactions. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

We may trade client accounts on margin. Each client must sign a separate margin agreement **before** margin is extended to that client account. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. While a negative amount may show on a client's statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where we may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm are registered representatives with Cadaret, Grant & Co., Inc., a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm.

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the "Advisory Business" section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

The normal minimum balance to participate in our Direct Asset program is \$40,000. The exceptions would be a client who is using either a single Model, or our Index Program, made up of Exchange Traded Funds. The minimum for a single strategy would be \$10,000 and for the Index Program would be \$2,500. Anything below those amounts will be invested utilizing mutual funds.

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

### **Our Methods of Analysis and Investment Strategies**

We hire companies which provide fundamental analysis, giving us a list of eligible investments. We then use technical analysis to determine which of those should be in use at any given time.

We believe that by using an asset allocation to include different asset classes, different portfolio managers, and different strategies, we help to provide the diversification needed to reduce the risk of a portfolio. We use Riskalyze to help match the portfolio mix with the client's individualized risk tolerance.

Where possible, we build portfolios which are comprised of a Fixed Income component and an Equity component, and a Cash reserve. The Fixed Income component is then subdivided into Directly Held Bonds and some mutual funds to provide liquidity. The Equity component is divided into three sleeves. The first sleeve is made up of a combination of our model portfolios, the second sleeve is made up of mutual funds or third party asset managers, and the third sleeve is made up of equity index oriented exchange traded funds or mutual funds.

When a client is taking regular distributions for income purposes, we build into our portfolios a ladder of bonds designed to mature as the cash flow is needed, thus reducing the need to take from an equity portfolio if and when it is down in value.

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Charting Analysis** - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- **Technical Analysis** - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.
- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- **Short Sales** - securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price, but if the price of the shares increase, the potential losses are unlimited.
- **Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.
- **Option Writing** - a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option. Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance. The risk of cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long term

expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Long term purchases may also be affected by unforeseen long term changes in the company in which you are invested or in the overall market. Short term trading generally involves a greater degree of risk than long term trading due to market volatility over a short period of time.

We may use short sales, margin transactions, and option writing in limited circumstances when we determine that it is suitable given your stated investment objectives and tolerance for risk; however, engaging in these types of transactions are no a fundamental part of our overall investment strategy.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). We may also buy and sell securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk, and it is used extensively in our Aggressive Contra Model. Depending upon your profile, the Aggressive Contra Model may represent some portion of your portfolio. Frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we recommend several types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every

type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

## **Item 9 Disciplinary Information**

Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

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

### **Registrations with Broker-Dealer**

Persons providing investment advice on behalf of our firm are registered representatives with Cadaret, Grant & Co., Inc. a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. See the *Fees and Compensation* section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

Persons providing investment advice on behalf of our firm are licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

### **Recommendation of Other Advisers**

We may recommend that you use a third party adviser ("TPA") based on your needs and suitability. We will receive compensation from the TPA for recommending that you use their services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. You are not obligated, contractually or otherwise, to use the services of any TPA we recommend.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons, including business practices regarding personal trading, insider trading of material non-public information, the giving and receiving of gifts and entertainment and outside business activities. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.



### **Agency Cross Transactions**

An agency cross transaction for an advisory client occurs when we, or one of our affiliates, acts as a broker for a transaction in which one of our advisory clients is on one side of the transaction and another advisory client is on the other side of the transaction. We may, when we consider the transaction to be in your best interest, execute such transactions. Clients may revoke the authorization to effect agency cross transactions at any time by providing us with written notice. In circumstances where we execute an agency cross transaction, we undertake to confirm that the buyer and seller are not related parties and that the transactions are executed at market price. We will review all trades executed as an agency cross for compliance with our best execution policy.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities. Generally trades are placed as block trades where ALL parties have the same average execution price. See: Block Trades below.

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), a securities broker-dealer and a member of the Financial Industry Regulatory Authority. We believe that TD Ameritrade provide quality execution services for your account at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by TD Ameritrade, including the value of research provided, the firms' reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services we receive from TD Ameritrade, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Under certain circumstances we may offer the custodial services of Trust Company of America.

We participate in the TD Ameritrade Institutional program through which we receive some benefits from TD Ameritrade. There is no direct link between our participation in the program and the investment advice we provide to you, although we do receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations ; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our associated persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm and/or associated persons but

may not benefit you or your accounts. These products or services may assist our firm in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits we receive through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duty to clients, we endeavor at all times to put the interests of our clients first. You should be aware; however, that the receipt of economic benefits by our firm or our associated persons itself creates a conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services. The products and services we receive from TD Ameritrade will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services.

Client accounts may be charged an asset-based fee in lieu of a transaction-based fee. Where appropriate for the client's account, and we may recommend that you elect to be charged an asset-based fee for securities transactions.

Some of our advisory clients may hold brokerage accounts at Cadaret, Grant & Co., Inc.; however, our firm does not manage accounts held at Cadaret, Grant & Co., Inc. nor do we recommend Cadaret, Grant & Co., Inc.'s brokerage/custodial services for our advisory accounts.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

Some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading") whenever possible. We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

We do not combine multiple orders for shares of the same mutual funds purchased for advisory accounts we manage because mutual funds do not trade in blocks.



## Item 13 Review of Accounts

Douglas Petersen, Managing Member of our firm will monitor your accounts on an ongoing basis and will conduct formal account reviews with you as agreed upon at the start of the advisory relationship, and upon your request, to ensure that the advisory services provided to you are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

We will provide you with regular quarterly written performance reports. In addition, you will receive trade confirmations, monthly or quarterly statements, and year-end tax statements from your account custodian(s).

## Item 14 Client Referrals and Other Compensation

As disclosed under the "Fees and Compensation" section in this brochure, persons providing investment advice on behalf of our firm are registered representatives with Cadaret, Grant & Co., Inc. and are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

## Item 15 Custody

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

### **Asset Transfer Authority**

Our firm or persons associated with our firm may effect third party asset transfers for client accounts without client written consent per transaction for client accounts. An adviser with authority to conduct third party asset transfers has access to the client's assets, and therefore has custody of the clients' assets in any related accounts.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s), the broker or dealer to be used for each transaction, and over the commission rates to be paid without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## Item 17 Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## Item 19 Requirements for State Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

### Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. Generally, if a trade error results in a profit, you will not keep the profit. The profit will be forwarded to a charity of the broker-dealer's or our choosing.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.