

# COSNER



## FINANCIAL GROUP

**Item 1: Cover Page for Part 2A of  
Form ADV: Firm Brochure  
February 2024**

**Cosner Financial Group, LLC**

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**This brochure provides information about the qualifications and business practices of Cosner Financial Group, LLC (CRD #147942). If you have any questions about the contents of this brochure, please contact our firm by telephone at (970) 482-3922. 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 Cosner Financial Group, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) .**

**Please note that the use of the term “registered investment adviser” and description of Cosner Financial Group, LLC and/or our associates as “registered” does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm’s associates who advise you for more information on the qualifications of our firm and its employees.**

## **Item 2: Material Changes to Our Part 2A of Form ADV: Firm Brochure**

Cosner Financial Group, LLC is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

There have not been any adjustments made since our last update was submitted in February 2023.

### **Item 3: Table of Contents**

<u>Section:</u>	<u>Page(s):</u>
Item 1: Cover Page for Part 2A of Form ADV: Firm Brochure.....	1
Item 2: Material Changes to Our Part 2A of Form ADV: Firm Brochure .....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	4
Item 5: Fees & Compensation .....	8
Item 6: Performance-Based Fees & Side-By-Side Management.....	11
Item 7: Types of Clients & Account Requirements .....	11
Item 8: Methods of Analysis, Investment Strategies & Risk of Loss .....	12
Item 9: Disciplinary Information.....	15
Item 10: Other Financial Industry Activities & Affiliations.....	15
Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading .....	16
Item 12: Brokerage Practices .....	17
Item 13: Review of Accounts or Financial Plans.....	21
Item 14: Client Referrals & Other Compensation.....	21
Item 15: Custody .....	22
Item 16: Investment Discretion.....	23
Item 17: Voting Client Securities.....	23
Item 18: Financial Information.....	24

#### **Item 4: Advisory Business**

We specialize in the following types of services: asset management and financial planning and consulting.

A. Description of our advisory firm, including how long we have been in business and our principal owner(s).

We are dedicated to providing individuals and other types of clients with an array of investment advisory services. Our firm is a limited liability company formed in the State of Colorado. Our firm has been in business as an investment adviser since 2008. Cosner Financial Group is presently owned by Ryan Cosner.

Description of the types of advisory services we offer.

(i) (a) Asset Management:

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. We utilize models as a guideline, but each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least annually and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

This service can include portfolio monitoring for clients that want to manage an account or certain funds on their own. This service does not include on-going supervision or discretionary trading with respect to securities transactions. Clients are responsible for determining their own investment ideas, but we can provide a sounding board for the idea and help place and execute the client's trades at their direction.

(b) Gateway Financial Strategies (GFS)

The Gateway Financial Strategy is a tactical allocation program open to John Alpers, III clients only. The account, which is part of FD&M Legacy Account is managed on a limited discretionary basis in an attempt to increase returns and/or to reduce risk. Therefore, we will make all trade decisions without first conferring with you. Techniques employed by us include overweighting and underweighting of asset classes, active replacement of underperforming investments or sub accounts and moving up to 100% of each asset type to cash for defensive purposes. This service utilizes models as a guideline but customizes the portfolio taking into consideration your financial situation, goals, objectives and any account limitations or restrictions.

If both a transaction fee and no transaction fee (NTF) option is available for the same security, GFS will purchase the lowest cost share class (NTF) if it will reduce the client's overall cost over the securities anticipated holding period.

(ii) Financial Planning and Consulting:

We offer a variety of financial planning and consulting services to individuals, families, and other clients regarding the management of their financial resources based upon an analysis of client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we would generally provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we typically do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

**IRA Rollover Considerations**

As part of our consulting and advisory services, we may provide you recommendations and advice concerning your employer retirement plan or other qualified retirement account. We may recommend you consider withdrawing the assets from your employer's retirement plan or other qualified retirement account and roll the assets over to an individual retirement account ("IRA") that we manage. If you elect to roll the assets to an IRA that we manage, we will charge you an asset-based fee as described in Item 5. This presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating an asset management fee rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Furthermore, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by us.

Many employers permit former employees to keep their retirement assets in their company plan. Current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of each.

An employee will typically have four options:

1. Leave the funds in your employer's (former employer's) plan.
2. Rollover the funds to a new employer's retirement plan.
3. Cash out and taking a taxable distribution from the plan.

4. Roll the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage, you should carefully consider the following:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the costs of those products and services.
  - c. It is likely you will not be charged a management fee and will not receive ongoing asset management services unless you elect to have such services. In the event your plan offers asset management or model management, there may be a fee associated with the services that is more or less than our asset management fee.
3. Our strategy may have higher risk than the option(s) provided to you in your current plan.
4. Your current plan may offer financial advice, guidance, and/or model management or portfolio options at no additional cost.
5. If you keep your assets in a 401k or retirement account and you are still working, you could potentially delay your required minimum distribution beyond age 73.
6. Your 401k may offer more liability protection than a rollover IRA; each state varies. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA and you may be able to make penalty free withdrawals from your 401K as early as age 55.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or home purchase.
9. If you own highly appreciated company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page

of this brochure.

B. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of clients, whether clients may impose restrictions on investing in certain securities or types of securities.

(i) Individual Tailoring of Advice to Clients:

We offer individualized investment advice to clients utilizing the following services offered by our firm: Asset Management. Additionally, we offer general investment advice to clients utilizing the following services offered by our firm: Financial Planning and Consulting.

(ii) Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities:

We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. In the rare instance that we would allow restrictions, it would be limited to the following services: Asset Management. We do not manage assets through our other services.

C. Participation in wrap fee programs.

We only offer Wrap Fee Program to clients previously with Financial Design & Management, Inc. (FDM Legacy). The program is designed to assist you in clarifying your investment needs and obtaining professional asset management for a convenient single "wrap" fee on a discretionary or non-discretionary basis. Clients participating in a wrap fee arrangement pay a single fee for advisory, brokerage, clearance custodial, and administrative services. Clients' portfolio transactions will be executed without a commissions-charge in a wrap fee arrangement.

We typically manage wrap fee accounts similarly to non-wrap fee accounts. However, several factors may influence the selection of the account structure, including but not limited to:

- 1) The client's preference for a "wrap" vs. transaction charges per trade.
- 2) Account size.
- 3) Anticipated trading frequency.
- 4) Anticipated securities to be traded.
- 5) Management style.
- 6) Long term investment goals.

The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by paying transaction costs separately with another advisor. To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies, the brokerage commissions charged by broker-dealers, and the advisory fees charged by investment advisers. We will review with clients any separate program fees that may be charged to clients.

As we absorb certain transaction costs in wrap fee accounts, we may have a financial incentive not to place transaction orders in those accounts since doing so increases its transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement. To minimize this conflict, we manage accounts similarly, whether in a wrap

program or not, and periodically review the activity and associated costs to assess whether the wrap account is in the clients' best interest.

D. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis.

We manage \$272,915,787 on a discretionary basis and \$1,322,723 on a non-discretionary basis as of December 31, 2023.

## **Item 5: Fees & Compensation**

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees may be negotiable. Therefore, clients with similar assets under management and investment objectives may pay higher or lower fees than other clients.

A. Description of how we are compensated for our advisory services provided to you.

(i) (a) Asset Management:

<u>Assets under management</u>	<u>Annual Percentage of assets charge*:</u>
\$0-\$4,999,999	1.00 %
\$5,000,000+	Negotiable

\*Our firm's fees are billed on a pro-rata annualized basis quarterly in arrears based on the value of your account on the last day of the quarter. Fees in excess of 2% are in excess of industry standards. Similar advisory services can be obtained for less.

(b) FD&M Legacy Account:

Advisory fees will be charged in advance of each calendar quarter. The quarterly advisory fee will be based on the value of the account on the last business day of previous quarter. We reserve the right to adjust billing for material interim additions to or withdrawals from the account during the quarter. Fee adjustments for additions and withdrawals made from an account will be reflected on the next billing cycle. The adjustment is calculated based on the number of days the money was under management and your fee schedule.

To simplify accounting, your fee each quarter will be rounded up/down to the nearest dollar. Some quarters a client may pay slightly more and some quarters slightly less than the exact formula amount. Over time, such rounding will tend to average out to the exact formula amount.

<u>Portfolio Size</u>	<u>Quarterly Fee</u>	<u>Annual Fee</u>
First \$100,000	0.40 - .45%	1.6 - 1.8%
Next \$150,000	0.35 - .45%	1.4 - 1.8%
Next \$250,000	0.325 - .35%	1.3 - 1.4%
Next \$500,000	0.275%	1.1%
Next \$1,000,000	0.2 - .25%	0.8 - 1%
Next \$3,000,000	0.1625 - 0.1875%	0.65% - 0.75%



If the value of your portfolio is less than \$150,000, in addition to the advisory fees above, you will pay trading fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule. The current fee schedule is included in your Advisory Agreement.

(c) Gateway Financial Strategies (GFS)

Fees are based on a percentage of assets being managed. This fee is for ongoing account monitoring, for initiating appropriate changes in investments, for quarterly reporting of portfolio results and for personal discussions to ensure your financial objectives are being met. To simplify accounting, your fee each quarter will be rounded up/down to the nearest dollar. Some quarters a client may pay slightly more and some quarters slightly less than the exact formula amount. Over time, such rounding will tend to average out to the exact formula amount.

<u>Portfolio Size</u>	<u>Quarterly Fee</u>	<u>Annual Fee</u>
First \$500,000	0.3375%	1.35%
Next \$500,000	0.2750%	1.10%
Next \$1,000,000	0.2500%	1.00%
Next \$3,000,000	0.1875%	0.75%
Next \$5,000,000	Negotiable	Negotiable

We do not retain a management fee based on the amount of assets being managed, instead it is reimbursed for operational and compliance costs associated with the GFS.

(ii) Financial Planning and Consulting:

We charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees are \$175 for financial advisors. Flat fees generally range from \$500 to \$10,000.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

(i) (a) Asset Management:

Our firm's fees are billed on a pro-rata annualized basis quarterly in arrears based on the value of your account on the last day of the quarter. Fees will generally be automatically deducted from your managed account. In rare cases, we will agree to directly bill clients.

(b) FD&M Legacy Account:

Our fees are billed on a pro-rata annualized basis quarterly in advance. The quarterly advisory fee will be based on the value of the account on the last business day of previous quarter. Fees will generally be automatically deducted from your managed account. In rare cases, we will agree to directly bill clients.

(c) Gateway Financial Strategies (GFS)

Our fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the quarter.

(ii) Financial Planning and Consulting:

We require a retainer of fifty-percent (50%) of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$500 when services cannot be rendered within 6 (six) months.

(iii) Wrap Fee Program:

Details are separately disclosed in our Wrap Brochure.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

The fees described above do not include charges resulting from trades effected with or through broker-dealer(s), markups or markdowns by such other broker-dealers, electronic fund and wire transfer fees, custodial fees, as well as other fees, taxes, and governmental charges imposed. Such fees are the responsibility of the client. See Section 12 for a discussion of our brokerage practices. In addition, these fees do not include the underlying fund expenses, which the client bears as a shareholder of the funds. These fees and expenses are disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

D. Client's advisory fees are due quarterly.

We charge our advisory fees quarterly in arrears. FD&M Legacy/GFS Accounts charge in advance. Upon cancellation, you will be entitled to a prorated refund of prepaid advisory fees. Refunds will be calculated as of the date following the thirty (30) days after receipt of termination notification, or the date we terminate management, if shorter. We will refund a pro-rata portion of the advisory fee for the quarter from the date of termination to the end of the calendar quarter.

If you wish to terminate our services, you need to contact us in writing and state that you wish to cancel your asset management agreement. Upon receipt of your letter of termination, we will proceed to close out your account and charge you a pro-rata advisory fee(s) for services rendered up to the point of termination.

E. Commissionable securities sales.

We may sell securities for a commission in non-advisory accounts. In order to sell securities for a commission, certain supervised persons are registered representatives of Triad Advisors, LLC ("Triad"), member FINRA/SIPC. These supervised persons may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual funds. You should be aware that the practice of accepting commissions for the sale of securities:

- 1) Presents a conflict of interest and gives our firm and/or our supervised persons an incentive to recommend investment products based on the compensation received, rather than on your needs. We generally address commissionable sales conflicts that arise:
  - a) when explaining to clients that commissionable securities sales creates an incentive to recommend products based on the compensation, we and/or our supervised persons may earn and may not necessarily be in the best interests of the client;

- b) when recommending commissionable mutual funds, explaining that “no-load” funds are available through our firm if the client wishes to become an investment advisory client.
- 2) In no way prohibits you from purchasing investment products recommended by us through other brokers or agents which are not affiliated with us.

#### **Item 6: Performance-Based Fees & Side-By-Side Management**

We do not offer performance based fees or side-by-side management.

#### **Item 7: Types of Clients & Account Requirements**

We have the following types of clients:

- Individuals;
- High-Net Worth Individuals;
- Pension and profit sharing plans;
- Corporations or other businesses.

We do not require a minimum account balance for our asset management service.

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

- A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

We may use one or more of the following methods of analysis in formulating our investment advice and/or managing client assets:

***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.

***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 when how long the

trend may last and when that trend might reverse.

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations.

**Long-term purchases.** When utilizing this strategy, we may purchase securities with the idea of holding them for a relatively long time (typically held for at least a year). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages 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 may also 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.

**Short Sales 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. 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 may 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.

**Risks.** Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease, and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have. Examples of risks that may be present in investing include:

**Capitalization Risk.** The risk that mid-capitalization and small-capitalization stocks may be more volatile than the large-capitalization stocks and may at times underperform as compared to large-capitalization stocks.

**Company Risk.** The risk that a particular company's stock will suffer losses for reasons unique to that company (also known as "unsystematic risk").

**Credit Risk.** The risk that a bond issuer fails to pay interest and/or principal on their obligations in a timely fashion.

**Currency Risk.** The risk that investments in stocks denominated in other currencies will lose value because of a rise in the value of the dollar relative to those currencies.

**Foreign Exposure Risk.** The risk that investments in foreign markets, including emerging markets may be more volatile than the U.S. markets due to fluctuations in currency exchange rates or political or economic conditions in a particular country. Investing in emerging markets countries may involve risks greater than the risks of investing in more developed foreign countries.

**Inflation Risk.** The risk that in the future, your investments or proceeds from your investments will not be worth what they are today due to the rising costs of goods and services. Said another way, a dollar tomorrow will likely get you less than what it can today.

**Interest Rate Risk.** The risk that the price of bond holdings will decline due to a rise in interest rates. Changes in price will generally be greater for longer-maturity bonds than for bonds with shorter maturities.

**Legal/Regulatory Risk.** The risk that changes in state or federal laws and/or regulations will negatively impact the performance or tax treatment of certain investments.

**Liquidity Risk.** The risk that certain investments may not be readily converted into cash due to the nature of those investments or changes in market conditions. This may negatively impact the ultimate price at which an investment is sold.

**Management Strategy Risk.** The risk that the strategies and techniques utilized by the outside managers who oversee different parts of our clients' portfolios will not achieve their intended results, leading to underperformance against a conventional index or benchmark and/or other funds with a similar investment objective.

**Market Risk.** The risk that the value of investments can fall, sometimes sharply, in response to economic changes or other events that affect the capital markets as a whole (also known as "systematic risk").

**Prepayment Risk.** The risk that a bond may be repurchased or redeemed by the issuer before maturity. Depending upon the redemption price, the investor may receive a lower than expected return on the security.

**Reinvestment Risk.** The risk that bond proceeds (principal and/or interest) may have to be reinvested at a lower yield than what the investor received from the original security due to intervening changes in interest rates.

**ETF and Mutual Funds Risk.** ETFs and mutual funds are subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of our investment strategies will be higher than the cost of investing directly in ETFs or mutual funds, as there are two levels of fees. ETFs and mutual funds are subject to specific risks, depending on the nature of the fund.

ETFs are professionally managed pooled vehicles that invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. ETF managers trade fund investments in accordance with fund investment objectives. ETF risk can be significantly increased for funds concentrated in a particular sector of the market, or that

primarily invest in small cap or speculative companies, use leverage (i.e., borrow money) to a significant degree, or concentrate in a particular type of security (i.e., equities), rather than balancing the fund with different types of securities.

ETFs can be bought and sold throughout the day like stocks, and their price can fluctuate throughout the day. During times of extreme market volatility, ETF pricing may lag versus the actual underlying asset values. This lag usually resolves itself in a short period of time (usually less than one day); however, there is no guarantee this relationship will always occur.

***Shorting, Margin and Use of Leverage.*** We, with the client's consent, may open client accounts as margin accounts and if we elect to use margin, such use can magnify risk to client's accounts. As these are separately managed accounts, use of margin should be discussed with your IAR. Separately managed accounts wishing to use margin are required to complete a margin agreement. Other forms of leverage which we may use, includes options, short sales, and other inverse or leveraged derivative instruments. We also have the ability to short stocks in the client portfolios, and a high level of risk is associated with this strategy. Shorting securities requires the use of margin. We believe shorting can provide additional opportunities to make money for margin approved clients if we believe a stock is overvalued. In rare circumstances, structured products may be offered to certain clients. These products often involve a significant amount of risk and should only be offered to clients who have carefully read and considered the products' offering documents, as they are often times based on derivatives. Structured products are intended to be "buy and hold" investments and are not liquid instruments.

**B. Our practices regarding cash balances in client accounts, including whether we invest cash balances for temporary purposes and, if so, how.**

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to asset management services, as applicable.

### **Item 9: Disciplinary Information**

We are required to disclose whether there are 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. There are a number of specific legal and disciplinary events that we must presume are material for this Item. If our advisory firm or a management person has been involved in one of these events, we must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in our or the management person's favor, or was reversed, suspended or vacated, or (2) the event is not material. For purposes of calculating this ten-year period, the "date" of an event is the date that the final order, judgment, or decree was entered, or the date that any rights of appeal from preliminary orders, judgments or decrees lapsed.

The SEC and/or State Regulators have not provided us with an exclusive list of material disciplinary events, which need to be disclosed. If our advisory firm or a management person has been involved in a legal or disciplinary event that is not specifically required to be disclosed, but nonetheless is material to a client's or prospective client's evaluation of our advisory business or the integrity of our

management, we must disclose the event. Similarly, even if more than ten years has passed since the date of the event, we must disclose the event if it is so serious that it remains currently material to a client's or prospective client's evaluation of our firm or management.

We have determined that our firm and management have nothing to disclose under the aforementioned standard.

#### **Item 10: Other Financial Industry Activities & Affiliations**

- A. Our firm or our management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. The details are as follows:

Certain investment adviser representatives of our firm are registered representatives of Triad as broker-dealer and our firm will be compensated on the normal and customary commission schedule for general securities business. Clients should be aware that these services involve a possible conflict of interest, as commissionable products can influence the recommendations made by our IARs.

In their capacities as registered representatives, one may receive distribution or service ("trail") fees from the sale of certain mutual funds (including money market funds pursuant to a 12(b)-1 distribution plan or other such plan as compensation for distribution or administrative services which are distributed from the fund's total assets). These fee arrangements will be disclosed upon request of a client and are available in the applicable fund's prospectus.

- B. If we recommend or select other investment advisers for our clients and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.

We do not currently recommend other investment advisers to our clients.

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

- A. Brief description of our Code of Ethics adopted and offers to provide a copy of our Code of Ethics to any client or prospective client upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers and employees for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons.

An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

- B. If our firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a related person recommends to clients, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11.A of this Brochure. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

- C. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11.A of this brochure. Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Although we rarely submit block trades, if related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

- D. Donations to Charities

From time to time, we may donate to charitable organizations that are affiliated with clients, are supported by clients, and/or are supported by an individual employed by one of our clients. In general, such donations are made in response to requests from clients, or their personnel. Because our contributions may result in the recommendation of our services, such contributions may raise a potential conflict of interest. As a result, we require that all contributions are made directly to the charitable organization (normally a 501(c)(3) organization). No contribution will be made if the contribution implies that continued or future business with us depends on making such contribution.

<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.



## Item 12: Brokerage Practices

A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

- 1) Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

Our firm has an arrangement with Fidelity Institutional Wealth Services ("FIWS") through Fidelity Brokerage Services LLC (CRD # 108476), Member FINRA/SIPC which provides our firm with FIWS's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients but that may benefit our firm.

- a. Explanation of when we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how we receive a benefit because our firm does not have to produce or pay for the research, products or services.

As part of the arrangement described in Item 12.A(1), FIWS also makes certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by FIWS directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by FIWS to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by FIWS to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

- b. Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving best execution.

As a result of receiving the services discussed in 12.A(1) (a) of this Firm Brochure for no additional cost, we may have an incentive to continue to use or expand the use of FIWS's services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with FIWS and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

FIWS charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). FIWS enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. FIWS's commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by FIWS may be higher or lower than those charged by other custodians and broker-dealers.

- c. Causing clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

Our clients may pay a commission to FIWS that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

- d. Disclosure of whether we use soft dollar benefits to service all of our clients' accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Although the investment research products and services that may be obtained by our firm will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. In addition, we do not have any formal soft-dollar agreements in place where we must trade a certain volume in order to receive soft dollar credits or specific research or services.

## 2) Brokerage for Client Referrals.

If we consider, in selecting or recommending broker-dealers, whether our firm or a related person receives client referrals from a broker-dealer or third party, we are required to disclose this practice and discuss the conflicts of interest it creates.

Our firm does not consider referrals from a broker-dealer or third party in selecting or recommending broker-dealers.

## 3) Directed Brokerage.

- a. If we routinely recommend, request or require that a client directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy. Further, we must explain that not all advisers require their clients to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic

relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of client transactions, and that this practice may cost our clients more money.

In certain instances, clients may seek to limit or restrict our discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. Any such client direction must be in writing (often through our asset management agreement) and may contain a representation from the client that the arrangement is permissible under its governing laws and documents if this is relevant.

We provide appropriate disclosure in writing to clients who direct trades to particular brokers, that with respect to their directed trades, they will be treated as if they have retained the investment discretion that we otherwise would have in selecting brokers to effect transactions and in negotiating commissions and that such direction may adversely affect our ability to obtain best price and execution. In addition, we will inform you in writing that your trade orders may not be aggregated with other clients' orders and that direction of brokerage may hinder best execution.

### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

- b. If we permit a client to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.

See Item 12.A(3) of this Brochure.

- B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are effected only

when we believe that to do so will be in the best interest of the affected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

### **Item 13: Review of Accounts or Financial Plans**

- A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

We review accounts at least annually for our Asset Management clients. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Only our Financial Advisors or Portfolio Managers will conduct reviews.

Financial planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc.

- B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

- C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

We do not provide written reports to clients, unless asked to do so. Verbal reports to Asset Management clients take place on at least an annual basis.

As also mentioned in Item 13.A of this Brochure, financial planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

### **Item 14: Client Referrals & Other Compensation**

- A. If someone who is not a client provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

Except for the arrangements outlined in Item 12 of this brochure, we have no additional FIWS arrangements to disclose.

Triad IARs also receive a portion of the compensation that Triad receives as a member of a selling syndicate. Thus, Triad IARs have an incentive to recommend certain mutual funds and to recommend purchases of sales in certain offerings because the IAR will receive more compensation in connection with these securities than in connection with other types of securities.

Advisory representatives of our firm may receive part of the compensation paid to Triad in the advisor representative's capacity as a registered representative of Triad to the extent permitted by applicable law. Triad has policies and procedures to address such conflicts of interest.

In addition, we offer variable insurance products as registered representatives of Triad. Therefore, we will receive, as registered representatives of Triad, compensation for the sale of such products. The client is under no obligation to purchase insurance products through any particular insurance agency or IAR and may effect any such transactions where the client desires.

- B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm.

### **Item 15: Custody**

We do not have custody of client funds or securities; however, we may be granted authority, by written consent from you, to deduct the advisory fees directly from your account. Client assets are held at a qualified custodian. However, we are deemed to have limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account.

In addition, we are also deemed to have custody of clients' funds or securities when clients have standing letters of authorizations ("SLOAs") with their custodian to move money from a client's account to a third-party, and under that SLOA it authorizes us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

The qualified custodian will send to you, at least quarterly, your account statements. The account statements will reveal the funds and securities held with the qualified custodian, any transactions that occurred in your account at the end of period and setting forth all transactions in the account during that period including the amount of advisory fees paid directly to us.

We may provide to you reports we prepare regarding your portfolio. You are encouraged to review these reports and compare them against reports received from the independent custodian that services your advisory account. You should immediately inform us of any discrepancy noted between the custodian records and the reports you receive from us. You should notify us if you do not receive the account statements, at least quarterly, from the qualified custodian.

### **Item 16: Investment Discretion**

If we accept discretionary authority to manage securities accounts on behalf of clients, we are required to disclose this fact and describe any limitations our clients may place on our authority. The following procedures are followed before we assume this authority:

Our clients need to sign a discretionary asset management agreement with our firm for the management of their account. This type of agreement only applies to our Asset Management clients. We do not take or exercise discretion with respect to our other clients.

If a client chooses to sign a discretionary asset management agreement, our firm will be authorized, without prior consultation, to buy, sell, and trade in stocks, bonds, mutual funds, and other securities and/or contracts to accounts clients authorizes our firm to manage. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. We do not have discretionary authority to determine the broker or dealer to be used for a purchase or sale of securities or the commission rates to be paid to a broker or dealer for a client's securities transactions.

### **Item 17: Voting Client Securities**

We only offer proxy voting to clients previously with Financial Design & Management, Inc. (FDM Legacy).

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

For FDM Legacy clients we shall vote proxies related to mutual funds and ETFs held in a model portfolio in a manner solely in the best interest of the client. We shall consider only those factors that relate to the client's investment, including how its vote will economically impact and affect the value of the client's investment. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders; proxy votes generally will be cast against proposals having the opposite effect. The CCO will be the person responsible for its decisions on proxy voting and shall vote in a prudent and diligent fashion and only after a careful evaluation of each issue presented on the ballot.

Affected clients wishing to review our Proxy Voting Policy may receive a copy upon request by calling our office at 970-482-3922. Furthermore, clients with a particular interest in reviewing the firm's proxy voting records for their account may also do so upon request.

In addition, as a general policy, we do not elect to participate in class action lawsuits on behalf of a client. Rather, such decisions shall remain with the client or with an entity the client designates. We may assist the client in determining whether they should pursue a particular class action lawsuit by

assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with the client.

### **Item 18: Financial Information**

- A. If we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must include a balance sheet for our most recent fiscal year.

We do not require, nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we have not included a balance sheet for our most recent fiscal year.

- B. If we have discretionary authority or custody of client funds or securities, or we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

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

- require the prepayment of more than \$1,200 in fees six or more months in advance, or
- take custody of client funds or securities, or
- currently have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

- C. If we have been the subject of a bankruptcy petition at any time during the past ten years, we must disclose this fact, the date the petition was first brought, and the current status.

We have nothing to disclose in this regard.