

Item 1 – Cover Page

DESERT ADVISORY, LLC

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This brochure provides information about the qualifications and business practices of Desert Advisory LLC (“Desert Advisory”). If you have any questions about the contents of this brochure, please contact us at (503) 635-5244. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Desert Advisory is available on the SEC’s website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Desert Advisory is 306522.

Please note that the use of the term “registered investment advisor” and description of our firm and/or our associates as “registered” does not imply a certain level of skill or training. Clients are encouraged to review this brochure and any brochure supplements (“brochure supplements”) for more information on the qualifications of our firm and our associates.

Item 2 – Material Changes

This is our initial brochure. We therefore have no material changes to report.

We will ensure that all current clients receive a Summary of Material Changes to this and subsequent brochures within 120 days of the close of our fiscal year. A Summary of Material Changes is also included with our brochure on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Desert Advisory is set forth on the cover page of this brochure. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

A copy of our firm brochure will be provided to you free of charge by contacting us at the telephone number appearing on the cover page of this brochure.

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Item 4 – Advisory Business

- A** **Our Firm.** Desert Advisory, LLC is an Oregon limited liability company founded in 2019. The firm is registered as an investment advisor with the SEC. Our sole offices are located in Lake Oswego, Oregon.

We are an independent, “fee-only” investment advisory firm with a fiduciary duty to our clients. The fees we collect from clients are based solely on a percentage of the client’s assets under our management or a fixed fee, depending on the nature of the services for which we are retained. We do not sell any insurance or securities products, maintain any soft dollar arrangements, or collect any commissions, rebates or referral fees of any kind in connection with the investment advice we provide to our clients. We believe our fee only method of compensation minimizes conflicts of interest and best aligns with our fiduciary duty to you.

The information contained in this brochure describes our investment advisory services, practices, and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our services to the needs of our clients. As used throughout this firm brochure, the words “we,” “our,” “firm,” “Desert Advisor” and “us” refer to Desert Advisory, LLC, and the words “you,” “your,” and “client” refer to you as either a client or prospective client of our firm.

- B, C** **Our Services.** Prior to forming an investment advisor-client relationship with you, we may offer a complimentary general consultation to prospective clients to discuss the nature of the firm’s services and to determine the possibility of a potential advisory relationship. Investment advisory services begin only after the prospective client and Desert Advisory formalize their relationship by the execution of a written advisory agreement.

We provide our clients with investment advice regarding their financial matters through the following service offerings:

Wealth Management and Planning Services. Our firm offers broad-based financial planning coupled with ongoing portfolio management services that are tailored to the client’s unique financial circumstances and investment profile. With limited exception, we typically require that you grant us discretionary authority to manage your account under this service. By granting us discretionary authority, you authorize us to implement our investment recommendations directly within your account held at the qualified custodian without obtaining your specific consent prior to each transaction. The full scope of our discretionary authority is set forth in a written advisory agreement with the client.

Our Wealth Management and Planning services process begins with our delivery of comprehensive financial planning that is designed to assist you in defining your personal financial goals and objectives with respect to, among other things, retirement planning, business and succession planning, education planning, risk management, tax planning, and estate planning matters. We will consult with you to gather information regarding your current and expected income level, tax information, investment experience, current portfolio construction/asset allocation, and expected expenses, among other items. Based on our review and analysis of this information, we will provide you with a written financial plan and recommend an appropriate investment portfolio and risk profile intended to align with your unique financial circumstances and goals. You must promptly notify us if your financial circumstances, goals, objectives or needs change at any time during the course of our engagement.

While your investment portfolio is individually tailored to your specific investment needs and preferences, client portfolios generally follow an overall investment strategy based upon the client's unique risk profile. We have created general investment strategies and model portfolios for six distinct client risk profiles including "All Fixed Income," "Risk-Averse," "Conservative," "Moderate," "Growth" and "Enhanced-Growth" (each a "Risk Profile Strategy"). We will determine an appropriate Risk Profile Strategy for management of your account based upon your investment goals and needs, risk tolerance, time horizon for investments, and overall investment objectives. For more information regarding each Risk Profile Strategy, please see Item 8 C of this brochure.

In some circumstances, the Risk Profile Strategy selected for your account may incorporate the use of independent third party sub-advisors. You authorize our use of such sub-advisors in our written advisory agreement and/or in the account opening documents provided by the independent custodian of your assets. Irrespective of the use of any sub-advisors, we always maintain the advisor-client relationship directly with you. We will serve in a co-advisory role with any selected sub-advisors, wherein we are responsible for ongoing monitoring of your account and the determination of the suitability of the sub-advisor's overall investment program, while the sub-advisor is responsible for discretionary portfolio management and trading functions. You will be provided with the Form ADV Part 2A and 2B for any selected sub-advisors at or prior to the time of the engagement of such sub-advisors. Sub-advisor fees for portfolio management services under this arrangement are separate and in addition to our advisory fees.

The economic landscape is not static, neither are our Risk Profile Strategies. We monitor economic and market conditions on an ongoing basis, looking for both areas of opportunity and excessive risk, adjusting and/or rebalancing your portfolio accordingly. Investment vehicles and sub-advisors are reviewed on an ongoing basis against their respective peer groups in both performance and risk, as well as for qualitative factors such as firm structure, consistency of portfolio managers, and fees.

We will provide you with comprehensive quarterly performance reports designed to allow you to monitor your investment portfolio's progress against market benchmarks over multiple time periods. Financial plans are reviewed and updated as needed and compared against performance reports to ensure your objectives and goals are being achieved.

Stand-Alone Financial Planning Services. We offer Stand-Alone Financial Planning services that, at the option of the client, may address some or all of the following topics: (1) financial, budgeting and cash management; (2) investment planning and asset allocation; (3) risk management, insurance planning, and analysis; (4) educational funding; (5) estate planning; (6) tax planning; (7) retirement planning; and (8) financial planning for small business. We will meet with you to assist you in identifying areas of potential financial concern and provide you with a discrete set of short and/or long-term financial goals and actions designed to address such concerns. Our recommendations will take the form of a written financial plan, report or checklist that is designed to help you achieve your stated financial goals and objectives.

Stand-Alone Financial Planning services are provided exclusively on a non-discretionary basis. You always maintain the sole discretion to accept or reject any of our recommendations and to determine the manner and service providers to be used for implementation of any such recommendations. Implementation of our recommendations may be completed by our firm, at your option, subject to the payment of additional fees. You are never obligated to use our firm to implement any of our advice. You must promptly notify us if your financial circumstances, goals, objectives or needs change at any time during the course of our engagement.

Assuming that all the information and documents requested from the client are provided to us promptly, engagements for these services are typically completed within 45-90 days of our engagement by the client. Once we have delivered our written financial plan, report or checklist to you, we will only update these documents upon your subsequent engagement of our firm for updates and your payment of additional fees.

As part of these services, we may recommend the use of certain third-party professionals including, without limitation, attorneys, certified public accountants, and insurance agents. You are advised that we not practice law or accounting, and that none of our advice should be construed as legal, tax or accounting advice. Clients engage such recommended third-party professionals at their own discretion and risk.

D **Wrap Fee Programs.** We do not participate in any wrap-fee programs.

E **Assets Under Management.** Desert Advisors is newly registered and therefore, as of the date set forth on the cover page of this brochure, we do not have any regulatory assets under management to report.

Item 5 – Fees and Compensation

A **Our Fees.** Notwithstanding any information appearing in this Item 5, our advisory fees are generally negotiable and certain clients may pay fees which are materially different than those set forth herein. While we believe our advisory fees to be reasonable for the services provided, you are advised that lower fees for comparable services may be available from other sources.

A description of the fees we charge in connection with each of our services is as follows:

Wealth Management and Financial Planning Services. For Wealth Management and Planning services, clients pay us an annual fee calculated as a portion of their assets under our management in accordance with the below fee schedules. These fees are paid to us quarterly in advance, based on the market value of the client's account (including the value of cash and cash equivalents, but adjusted for any margin debt) on the last trading day of the previous quarter as calculated by the account custodian. Fees for the initial period of our services shall be based upon the opening value of your account as of the date on which services commence. Client fees will be pro-rated for partial periods at the commencement or termination of our services based on the number of days services are provided during any partial period. We reserve the right to amend the below fee schedules upon thirty (30) days' prior written notice to the client.

STANDARD FEE SCHEDULES

Risk Profile Strategies Portfolios	Annual Fee
\$0 to \$500,000	1.25%
\$500,001 to \$1,000,000	1.00%
\$1,000,001 to \$2,000,000	0.85%
\$2,000,001 to \$5,000,000	0.75%
\$5,000,000 to \$10,000,000	0.65%

\$10,000,001 to \$20,000,000	0.50%
\$20,000,001 and greater	Negotiable

Custom Fixed Income Portfolio	Annual Fee
\$0 to \$10,000,000	0.25%
\$10,000,001 to \$20,000,000	0.20%
\$20,000,001 and greater	Negotiable

For purposes of determining market value, securities, mutual funds, and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded.

Clients may make additions or withdrawals from their account at any time. Clients are advised that our advisory fees will be adjusted on a pro-rata basis to account for any mid-period additions or withdrawals to their accounts. Clients should note that some or all of the investments in their account may be intended as long-term investments and withdrawals of cash and premature liquidations of securities positions may impair the achievement of your investment objectives. For this reason, we recommend that you advise us reasonably in advance of any expected deposits or withdrawals from your account in excess of \$10,000.

Stand-Alone Financial Planning Services. For Stand-Alone Financial Planning services, clients pay us fixed fees typically ranging from \$1,000 - \$2,500 per engagement. The amount of the fixed fee applicable to your engagement is determined by us based upon, among other factors, our expectation of the complexity, time, research, personnel and resources required to complete the engagement, and will be set forth in our written financial planning agreement with the client. Our fixed fees are billed to clients in advance, with full payment due from the client upon execution of our written financial planning agreement.

- B** **Our Billing Procedures.** At your option, advisory fees for Wealth Management and Planning services may be paid directly to us from the agreed upon client account by the custodian holding the client's assets upon submission of an invoice to the custodian showing the amount of our fees. We will liquidate money market shares or use cash balances from your account to pay our advisory fee, however, if money market shares or cash value are not available, other investments may be liquidated. Please note that unexpected or premature liquidation of investments to pay our advisory fees may impair the performance of your account.

The amount of any advisory fees deducted from your account will be reflected within our quarterly performance reports and the client's monthly account statements from the custodian. Clients bear the responsibility for verifying the accuracy of fee calculations. We encourage you to review our reports and the Custodian's account statements carefully and promptly upon receipt. If you believe we have miscalculated the advisory fees applied to your account or if you have any other questions about your account, you should contact us immediately at the phone number and e-mail address listed on the cover page of this brochure.

Fees for Stand-Alone Financial Planning services are paid to us via check or wire transfer.

- C** **Additional Fees and Expenses.** As part of our investment advisory services, we may recommend that you invest in mutual funds and/or ETFs. You will pay your proportionate share of any internal

management fees and other expenses that may be charged by mutual funds and/or ETFs to their shareholders. The fees are separate and distinct from the advisory fees you will pay to our firm. You will also pay the custodian of your account transaction charges, custodial, and/or brokerage fees for the purchase or sale of securities in your account. Further, to the extent your account is managed through the use of any sub-advisors, you will also pay separate management fees to such sub-advisors for their services. We do not share in any portion of the foregoing additional fees and expenses. To fully understand the total cost you will incur, you should review the prospectus of each mutual fund, ETF, and or separately managed account/sub-advisory program in which you are invested and the contractual arrangement with the custodian of your account. For information on our brokerage practices, please refer to Item 12 of this brochure.

- D** **Our Termination Policy.** Our Wealth Management and Planning services and Stand-Alone Financial Planning services may be terminated at any time by either party by delivery of written notice of termination to the other party as set forth in the written advisory agreement.

Where our Wealth Management and Financial Planning services are terminated, the client shall receive a refund of any pre-paid but unearned advisory fees based on the number of days services were provided during the terminating billing period. Where Stand-Alone Financial Planning services are terminated, any pre-paid but unearned fees will be refunded to the client based upon our good faith determination of the total percentage of services completed at the time of termination, which determination shall be final and binding upon the client.

- E** **No Compensation For Sale of Insurance or Securities Products.** We are an independent, “fee-only” investment advisory firm with a fiduciary duty to our clients. The fees we collect from clients are based solely on a percentage of the client’s assets under our management or a fixed fee, depending on the nature of the services for which we are retained. We do not sell any insurance or securities products, maintain any soft dollar arrangements, or collect any commissions, rebates or referral fees of any kind in connection with the investment advice we provide to our clients.

Item 6 – Performance-Based Fees and Side-By-Side Management

We do not charge any performance-based fees for our services or engage in side-by-side management of accounts.

Item 7 – Types of Clients

We typically provide investment advice to individuals, high net worth individuals, 401(k), pension and profit sharing plans and their participants, non-profit endowments and private foundations, estates and trusts, partnerships, corporations and other business entities.

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

- A** **Methods of Analysis.**

Types of Investments. While we do not recommend one particular type of investment or asset class over any other, we primarily advise our clients regarding investments in equity securities, corporate debt securities (i.e., corporate bonds), mutual funds, ETFs, unit investment trusts, warrants, certificates of deposit and money market funds. Depending on the client’s financial circumstances, our investment

advice may also concern other instruments not listed above including, without limitation, municipal securities, exchange traded notes, and U.S. government securities, among others. We may also provide advice on any type of investment held in the client's portfolio at the inception of our advisory relationship or, in where suitable, alternative investments, including private real estate investment trusts ("REITs") and limited partnerships.

The primary investment strategies used to implement investment advice given to clients include long-term purchases (securities held at least one year) and short-term purchases (securities sold within a year of purchase). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the recommendation to sell. A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

We typically research and analyze securities using the following methods of analysis:

Fundamental Analysis. This method of analysis involves the review of companies' "fundamentals" (balance sheet, cash flow and income statements, etc.), as well as other factors that can affect the value and price of these companies' stock. Taking into account macro and micro economic climate and applicable industry conditions, we seek out companies that:

- have compelling business models;
- have solid business fundamentals with potential for long-term enhancements;
- operate in industries with future growth opportunities and present profitable operations;
- have strong management team committed to increasing shareholder value; and/or
- have attractive valuations.

Relying on fundamental analysis leaves open the risk that the price of a security may move along with the overall direction of the market, irrespective of the economic and financial factors which may have indicated that an opposite movement would have been expected. The main sources of information we rely upon when researching and analyzing securities using fundamental analysis include research materials prepared by others, annual reports, corporate rating services, prospectuses, and company press releases.

Cyclical Analysis. We may use cyclical analysis to evaluate securities. This means we analyze statistics generated by market activity, such as past prices and volume. This method of analysis does not seek to measure a security's intrinsic value, but rather involves a review of charts and other information for purposes of identifying patterns that can suggest future activity. This method of analysis does not consider the underlying financial condition of a company or security. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of overall market movement.

Asset Allocation. Rather than focusing on selecting the particular securities or other assets to invest for your account, we may attempt to identify an appropriate ratio of various types of investments (for example, stocks, fixed income, and cash) suitable to the client's investment goals, time horizon, and risk tolerance. A risk of asset allocation is that you may not participate in sharp increases in a particular

security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate to meet with your investment goals.

Mutual Fund and ETF Selection and Analysis. We may evaluate and select mutual funds and/or ETFs for your account based on several factors which may include, without limitation, (1) the experience and track record of the underlying portfolio manager(s), (2) the performance of the mutual fund or ETF over time and through various market conditions; (3) expected market conditions that might impact the underlying holdings of the mutual fund or ETF or applicable market sector; and (4) whether and to what extent the underlying holdings of the mutual fund or ETF overlap with other assets held in your account. We also monitor the mutual fund or ETF in an attempt to determine if the fund is continuing to follow its stated investment strategy.

A risk of mutual funds and ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A fund manager's past track record of success cannot be relied upon as a predictor of success in the future. In addition, the underlying holdings of the fund are determined by independent fund managers and may change overtime without advance warning, creating the potential for overlap with other investments held in your account. This increase in the correlation of your holdings will increase the risk of loss where the value of any overlapping holdings should decrease. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

The main sources of information we rely upon when researching and analyzing securities include financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; on-site due diligence, annual reports, prospectuses, and filings with the SEC.

B **Risks Associated with Our Methods of Analysis.** We use our best judgment and good faith efforts in rendering investment advice to our clients. We cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment recommendation we make will be profitable. **Investing in securities involves risk of loss that clients should be prepared to bear.** You assume all market risk involved in the investment of your account assets. Investments are subject to various market, currency, economic, political, and business risks.

Except as may otherwise be provided by law, we are not liable to you for:

- any loss that you may suffer by reason of any investment recommendation we made with that degree of care, skill, and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use;
- any loss arising from our adherence to a client's instructions; or
- any independent act or failure to act by a custodian of your account(s).

Our judgment about the attractiveness, value and potential appreciation of an asset class or individual security may be incorrect. The value of an individual security can be more volatile than the market as a whole, or our approach may fail to produce the intended results. Our estimate of a security's intrinsic value may be wrong or, even if our estimate of intrinsic value is correct, it may take an extended period of time before the price and intrinsic value converge. As a result, there is a risk of loss of the assets we manage that is out of our control. We seek to reduce risk through diversification, however, diversification will not protect from a down market.

Additionally, in performing our analysis, we may use commercially available information services and financial publications, research materials prepared by various broker-dealers and other research developed by other third-party providers. Our methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

The above language does not relieve our firm of any responsibility or liability we may have under state or federal statutes such as the Investment Advisers Act of 1940.

It is the responsibility of each client to give us complete information and to notify us of any changes in their financial circumstances or goals.

C **Investment Strategies and Process.** We attempt to achieve our clients' financial goals by creating portfolios that invest in various types of assets following a specific Risk Profile Strategy. While each of our client portfolios is customized for the client's needs and preferences, each portfolio will follow one of our general investment strategies based upon the client's risk profile. We have created general investment strategies for six risk profiles, "All Fixed Income," "Risk-Averse," "Conservative," "Moderate," "Growth" and "Enhanced-Growth." The strategy for each of the above risk profiles involves investing in a blend of asset types consisting, primarily, of mutual funds, ETFs, individual bonds, unit investment trusts, and/or private REITs.

We invest in ETFs and mutual funds that (a) hold the types of assets that we believe to best fit the client's risk profile and investment objectives and (b) diversify across many investment types to limit the specific risk of any individual investments. The investment types held by different ETFs and mutual funds include but are not limited to large capitalization growth stocks ("Large Cap Equity"), small or middle capitalization growth stocks ("Small Cap Equity"); intermediate- and short-term fixed income securities ("Fixed Income"); bonds (including corporate and high yield bonds); managed futures and commodities; private equity; and real estate.

Moderate, Growth, and Enhanced Growth Risk Profile Strategies. When selecting ETFs and mutual funds for our Moderate, Growth, and Enhanced Growth portfolios, we seek funds that invest in Large Cap Equity, Small Cap Equity or private equity based on a traditional top-down assessment of the overall economy and a consideration of long- and short-term patterns and trends. We look for ETFs and mutual funds that research equities and invest in those companies that are likely to demonstrate revenue and earnings growth, have compelling business franchises, solid existing business fundamentals, potential for stock appreciation and solid management. The ETFs and mutual funds also make decisions on sector and industry weightings of equities, as well as individual stock selection based on an unbiased evaluation of sector, industry and stock strength. We rely on the funds to screen each equity's technical, fundamental and valuation metrics for the eligible, investable universe of stocks. Typically, this process employs three levels of screening:

1. The first level of screening determines the investment health of the economic sectors and industries. The screen will help to determine the sector weights of the portfolio and will generate an initial list of attractive stocks. Factors such as earnings, revenue growth, profit margins and return on equity are considered.
2. The second level of screening takes into account subjective qualifications on the economic outlook for the individual sectors and industries.

3. The third level of screening pinpoints the optimal time to buy the stock based on technical and cyclical methods of analysis.

All Fixed Income Risk Profile Strategy. Our portfolios that fall in the “All Fixed Income” risk profile are designed to maximize income while preserving capital.

We believe the primary goal of successful fixed income investment management is maximizing portfolio yield without taking significant principal risk. That means we will not add risk by using portfolio leverage or derivatives. We invest “All Fixed Income” portfolios in individual fixed income securities as well as in ETFs and mutual funds that hold fixed income securities. These ETFs and mutual funds focus on two critical aspects to managing fixed income investments – duration and credit quality. These funds’ fixed income investments have a high credit quality with varying duration.

Risk Averse and Conservative Risk Profile Strategies. Our “Risk Averse” and “Conservative” portfolios allocate a greater portion of assets to individual fixed income securities and ETFs and mutual funds that invest in fixed income and other securities considered less risky, such as corporate and government bonds, commercial paper and certificates of deposit. Our “Enhanced Growth” portfolios have a greater portion of assets in international and emerging market investment.

Risks associated with each underlying investment type are described below.

Mutual Funds and ETFs. As we primarily invest client assets in mutual funds and ETFs, these funds face risks based on the investments they hold. For example, a sector stock fund (which invests in a single industry, such as telecommunications) is at risk that its price will decline due to developments in its industry. Risks associated with the funds’ underlying investments are described below.

The Large Cap Equity and Small Cap Equity investments face the following risks:

- General Equity Market Risk – Overall stock market risks may affect the value of investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets.
- Large Cap Equity – There is a risk that returns from large capitalization stocks will trail returns from the overall stock market. Large capitalization stocks tend to go through cycles of doing better, or worse, than the stock market in general.
- Small Cap Equity – Investments in smaller companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, smaller companies may be more vulnerable to economic, market and industry changes. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than large capitalization companies.

Fixed income investments face the following risks (we invest only in ETFs and mutual funds that hold fixed income securities that are investment grade or better):

- Interest Rate Risk – Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. On the other hand, if rates fall, the value of the fixed income securities generally increases.

- **Credit Risk** – There is a risk that issuers and counterparties will not make interest and/or principal payments on the securities they issue or that their payments will not be made when due. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security, and that may affect liquidity and our ability to sell the security.
- **Call Risk** – There is a risk that falling interest rates will cause an issuer of fixed income securities to redeem (call) its high-yielding fixed income securities before their maturity date.
- **Inflation Risk** – The risk that the rate of price increases in the economy deteriorates the returns associated with the bond. This has the greatest effect on fixed bonds, which have a set interest rate from inception. For example, if an investor purchases a 5% fixed bond and then inflation rises to 10% a year, the bondholder will lose money on the investment because the purchasing power of the proceeds has been greatly diminished. The interest rates of variable rate or floating-rate bonds are adjusted periodically to match inflation rates or a specific interest rate index, limiting investors' exposure to inflation risk.

Real estate investments carry risks such as:

- **General Real Estate Market Risk** – As recent events have shown, there is a risk that the real estate market will decline and that the properties held by REITs will depreciate or fail to produce income.
- **Valuation Risk** – Although professional appraisers conduct annual independent appraisals of the real estate held by the REITs, we cannot guaranty that their value analyses will be accurate. Moreover, a market value analysis merely attempts to estimate the value of real property at a given point in time, but subsequent events could adversely affect the value of the property.
- **Limited Geographic Diversification** – Income from real property owned by a REIT will likely be affected by economic conditions affecting real estate markets in that area. A regional recession or similar adverse economic change could negatively affect the profits of the REITs.

Investments in international and emerging market companies may be riskier than investments in domestic companies. There is a risk that a particular country's currency could lose value relative to the dollar, decreasing the value of companies in that country. A potential for sovereign risk, that a country could be overthrown, also depressing the value of companies located in that country. In addition, investments in international markets have the potential for less financial transparency, which can distort the fundamentals of a company.

Where sub-advisors are used in the management of your account, the past track record of success of any sub-advisor cannot be relied upon as a predictor of future success. In addition, the underlying holdings of your sub-advisor managed account(s) are determined by the sub-advisor directly, and may change overtime without advance warning to us, creating the potential for overlap with other investments held in your account. This increase in the correlation of your holdings will increase the risk of loss where the value of any overlapping holdings should decrease. There is also a risk that a sub-advisor may deviate from the stated investment mandate or strategy of the account, which could make the holding(s) less suitable for the client's portfolio. Our firm does not control any sub-advisor's daily business and compliance operations, and thus our firm may be unaware of any lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Item 9 – Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. We have no information to disclose in response to this Item 9.

Item 10 – Other Financial Industry Activities and Affiliations

- A** **Registration as a Broker-Dealer or Registered Representative of a Broker-Dealer.** Neither Desert Advisory nor any of its personnel are registered or intend to become registered as a broker-dealer or as registered representatives of any broker-dealer.
- B** **Futures or Commodities Registration.** Neither Desert Advisory nor any of its personnel are registered or intend to become registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing.
- C** **Material Relationships.** Desert Advisory does not have any other relationships, activities, affiliations or arrangements that create a material conflict of interest with its clients.
- D** **Recommendation of Other Advisors.** Desert Advisory may recommend the engagement of sub-advisors to clients as part of its advisory services. We do not receive any additional compensation, either directly or indirectly, in connection recommendations or allocations of client accounts to any sub-advisors.

Item 11 – Code of Ethics, Participation or Interest in Client Transaction & Personal Trading

- A** **Code of Ethics.** We subscribe to an ethical and high standard of conduct in all our business activity in order to fulfill the fiduciary duty we owe to our clients. Included in these ethical obligations is the duty to put our client's interests ahead of our own along with duties of loyalty, fairness, and good faith towards our clients. We disclose to clients material conflicts of interest which could reasonably be expected to impair our rendering of unbiased and objective advice.

Desert Advisory has a Code of Ethics ("Code") which all employees are required to follow. The Code outlines proper conduct related to all services provided to Clients and will be made available to you, free of charge, upon request by contacting us at the phone number listed on the cover page of this brochure. Prompt reporting of internal violations is mandatory. Our Chief Compliance Officer evaluates employee performance to ensure compliance with our Code. Please contact us at the telephone number found on the cover page of this brochure if you would like to receive a free copy of our Code.

Designed to prevent conflicts of interest between the financial interests of clients and the interests of the firm and its staff, the Code requires, among other procedures, our "access persons" to report their personal securities transactions quarterly and to report all securities positions in which they have a beneficial interest at least annually. These reporting requirements allow the firm to determine whether to allow or prohibit certain employee securities purchases and sales based on transactions made, or

anticipated to be made, in the same securities which may be purchased or sold for client accounts. The Code is required to be reviewed annually and updated as necessary.

B-D Material/Proprietary Interests in Securities Recommended to Clients. Our firm and individuals associated with our firm do not have any proprietary or material interests in or any role in the management of any companies or investments that we recommend to our clients.

Participation or Interest in Client Transactions and Personal Trading. Desert Advisory and/or individuals associated with our firm may manage proprietary accounts. Proprietary accounts owned by the firm or individuals associated with our firm may buy and sell some the same securities that we buy and sell for client accounts. This practice creates an actual conflict of interest with our clients insofar as our firm or individuals associated with our firm may have a financial incentive to trade in securities for proprietary accounts in advance of or opposite to transactions in the same securities for client accounts. To address this conflict, our policy is that, assuming the purchase or sale is otherwise appropriate for the subject client accounts, we will purchase or sell securities for our clients' accounts, as the case may be, before purchasing or selling any of the same securities for any proprietary accounts. In some cases we may buy or sell securities for our own account for reasons not related to the strategies adopted by our clients.

In summary, our practice of buying and selling for proprietary accounts the same securities that we buy or sell for client accounts is restricted by the following controls:

- We are required to uphold our fiduciary duty to our clients;
- We are prohibited from misusing information about our clients' securities holdings or transactions to gain any undue advantage for ourselves or others;
- We are prohibited from buying or selling any security that we are currently recommending for client accounts, unless we place our orders after client orders have been executed; and
- We are required to periodically report our securities holdings and transactions to the firm's Chief Compliance Officer, who must review those reports for improper trades.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interest of all the accounts we advise.

We will disclose to advisory clients any material conflict of interest relating to us, our representatives, or any of our employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

We may refrain from rendering any advice or services concerning securities of companies of which our firm or any of our associated persons may have substantial economic interest, unless we either determine in good faith that we may appropriately do so without disclosing such conflict to the client or disclose such conflict to the client prior to rendering such advice or services with respect to the account.

Item 12 – Brokerage Practices

- A** **Recommendation of Broker-Dealers; Duty of Best Execution; Directed Brokerage; and Soft Dollar Practices.** Our clients' assets are held by independent third-party custodians. Except to the extent that a client directs otherwise, we may use our discretion in recommending the custodian for their account. Clients are not obligated to effect transactions through any custodian or broker recommended by us and always maintain discretion to select the custodian or broker for custody and/or execution of transactions in their account. In recommending a broker we will comply with our fiduciary duty in accordance with the Securities Exchange Act of 1934, to obtain best execution and will take into account such relevant factors as the value of the research provided, the commission rates charged, the ability to negotiate commissions, the ability to maintain volume discounts, execution capability, financial responsibility and responsiveness to our firm and our clients.

Notwithstanding the above, if a client insists that we direct transactions in the client's account be executed through a particular broker or dealer, the client should be aware that it may lose out on certain benefits that would otherwise be obtained and it should be understood that we will not have authority to obtain volume discounts, lower commissions, or narrower spreads. Consequently, clients directing the use of a particular broker or dealer may not receive best execution and may pay increased costs related to such directed brokerage transactions. We reserve the right to reject your request to use a particular broker-dealer if such selection would frustrate our management of your account, or for any other reason.

- B** **Trade Aggregation.** We are authorized in our discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and other transactions in the same or similar securities or instruments for our other clients. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the account will be deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price so obtained. We direct that confirmations of any transactions effected each client's account will be sent, in conformity with applicable law, to the client.

Item 13 – Review of Accounts

- A** **Account Reviews.** Wealth Management and Planning services accounts are reviewed by our investment advisor representatives on at least a quarterly basis. Factors reviewed include changes in fundamentals of the companies or entities issuing securities owned by or being considered for ownership by the client, as well as the prices of such securities, mutual fund analysis, and significant economic or industry developments. Our investment advisor representatives further formally review client accounts at least annually to evaluate their overall investment performance, current asset allocation, and the client's current objectives.

Written financial plans, reports or checklists provided under our Stand-Alone Financial Planning services are not updated following their delivery to the client. Once we have delivered our written financial plan, report or checklist to you, we will only update these documents upon your subsequent engagement of our firm for such updates and your payment of additional fees.

- B** **More Frequent Reviews.** More frequent reviews of Wealth Management and Planning services accounts may be triggered by a change in client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; loss of confidence in corporate management; or, changes in macro-economic climate.

- C** **Reporting to Clients.** We will provide you with detailed reports of your account holdings and performance and other information on a quarterly basis and otherwise, as you may reasonably request. Clients will receive monthly account statements from the independent custodian holding their account reflecting all transactions during the period and all holdings in their account.

Item 14 – Client Referrals and Other Compensation

We have no arrangements, written or oral, in which we compensate others or are compensated for client referrals.

Item 15 – Custody

Except for our ability to deduct our advisory fees from our client accounts, we do not have custody of the assets in the account and shall have no liability to clients for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance which may be carried by the custodian. Clients understand that SIPC provides only limited protection for the loss of property held by a broker-dealer. Our recommended custodians recognize that many of our clients have accounts with balances in excess of the coverage provided by the SIPC. In order to ensure our clients with the most comprehensive coverage possible, such custodians may offer supplemental insurance coverage for additional protection. There is no per account dollar limit on coverage of securities through our custodians supplemental insurance. It is the client’s decision whether to obtain such supplemental insurance coverage for their accounts.

Item 16 – Investment Discretion

Clients of our Wealth Management and Planning services are generally required to grant us ongoing and continuous discretionary authority to execute our investment recommendations within their account(s) in accordance with the client’s investment profile, suitability information, and the Risk Profile Strategy selected for management of their account, without the client’s prior approval of each specific transaction. Under this discretionary authority, clients allow us to purchase and sell securities and instruments in their account, arrange for delivery and payment in connection with the foregoing transactions, select, retain and disengage sub-advisors, and act on behalf of the client in all matters necessary or incidental to the handling of the account, including monitoring of the client’s assets.

In some limited circumstances, clients of our Wealth Management and Planning services may limit our authority to non-discretionary status, requiring us to obtain their approval for each specific transaction prior to executing our investment recommendations, as well as for the selection and retention of sub-advisors to their account.

Stand-Alone Financial Planning services are provided exclusively on a non-discretionary basis. You always maintain the sole discretion to accept or reject any of our recommendations and to determine the manner and service providers to be used for implementation of any of the same.

All transactions in a client accounts are made in accordance with the directions and preferences provided to us by each client. Clients execute instructions regarding our trading authority as required by each custodian.

Item 17 – Voting Client Securities

- A** **Voting of Client Securities.** We will not vote proxies on behalf of clients and will not provide advice to clients on how the client should vote.
- B** **Delivery and Receipt of Proxy Voting Materials.** We do not accept authority to vote client securities. Most clients will receive proxies and other solicitations directly from the custodian or transfer agent. If any proxy materials are received on behalf of a client, they will be sent directly to the client or a designated representative of the client, who is responsible to vote the proxy.

Item 18 – Financial Information

- A** **Prepayment of Client Fees.** We not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B** **Financial Commitments.** As noted above, we do not have custody of client funds or securities excepting the ability to deduct fees and we do not require or solicit prepayment of more than \$1,200 per client, six or more months in advance. However, because we maintain discretionary authority over client accounts, we are required disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients. We have no such conditions to report under this Item 18 B.
- C** **No Bankruptcy Disclosure.** We have not been the subject of any bankruptcy petition at any time.