

## CROSS FINANCIAL SERVICES CORPORATION

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March 28, 2012

This Brochure provides information about the qualifications and business practices of Cross Financial Services Corporation. If you have any questions about the contents of this Brochure, you may contact us at (210) 821-6499, or [email kwf@crossgroup.com](mailto:kwf@crossgroup.com) to obtain answers and additional information. Cross Financial Services Corporation is an SEC registered investment adviser located in the state of Texas. Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC), the State of Texas, or by any state securities authority.

Additional information about Cross Financial Services Corporation is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to Clients as required by SEC Rules. This Brochure dated March 28, 2012 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous disclosures did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide Clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

Cross Financial Services Corporation will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. 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.

Currently, our Brochure may be requested by contacting our office at (210) 821-6499, or by email to [smart@crossgroup.com](mailto:smart@crossgroup.com). Our Brochure is also available free of charge on our website, [www.crossgroup.com](http://www.crossgroup.com).

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**Item 4 – Advisory Business**

**A** Cross Financial Services Corporation (“Cross” “we” “us” and “Advisors”) is a Texas corporation with its principal place of business located in San Antonio, Texas. Cross has been in business since 1993.

**B** Cross is an investment advisor providing comprehensive financial planning, consulting and investment arrangement services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. We furnish investment advice through consultation, as well as the solicitation of investment advisory services.

We offer Clients a comprehensive approach to investment and wealth management, which includes the following major areas:

- ◆ Development of financial plans that match the Client’s goals
- ◆ Tailored investment portfolios consistent with our Clients’ plans
- ◆ Financial Independence/Retirement Planning
- ◆ Assessment of risk management (including insurance needs)
- ◆ Analysis of existing assets and investments
- ◆ Investment selection, portfolio design, and portfolio implementation
- ◆ Consultation and advisory services related to estate planning, education funding, risk management, retirement planning, business succession planning, and other specialized areas
- ◆ Selection of Sub-Advisors and Business Succession Planning

Prior to engaging us to provide any of the foregoing financial planning and investment advisory services, Clients are required to enter into one or more written agreements with us setting forth the terms and conditions under which we shall render our services. These agreements describe the scope of services to be provided and the portion of the fee that is due from the Client prior to Cross commencing services. For more information about our fees, please see Item 5 of this document.

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- C** Our financial planning and investment advisory services are driven by and coordinated with each Client's individual financial goals. Our advice and services are tailored to the stated objectives of each Client. The financial plans, advice and strategy are designed by incorporating each individual Client's Circumstances. This process serves as the foundational roadmap for the investment portfolio. Developing and consistently adhering to an investment policy allows our Clients to focus on the long-term goals of their financial plan, rather than become caught up in the short-term movements of the equity markets. The client can impose certain restrictions on how their assets are managed.

Each Client is advised that it remains their responsibility to promptly notify Cross when there is a change in their financial situation and/or investment objectives so that Cross is prepared to review, evaluate, and revise previous recommendations and/or services.

- D** Cross also offers Clients participation in wrap fee programs. Wrap fee programs generally permit Client's whose accounts otherwise would not have sufficient amount of assets to warrant separate treatment by an investment advisor firm to obtain such individualized treatment. Cross does not act as a sponsor for any wrap-fee programs. Information and disclosures regarding the wrap fee programs is provided to Clients by the program sponsors such as SEI Investments and Genworth Wealth Management, Inc.

- E** Cross manages \$52,104,582 of Client assets on a discretionary basis and \$4,400,000 Client assets on a non-discretionary basis. These amounts were calculated as of December 31, 2011.

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**Item 5 – Fees and Compensation**

- A** Depending upon the engagement, we offer our services on a fee basis which may include, a percentage of the assets managed, hourly and/or fixed fees.

Cross specializes in a broad range of comprehensive financial planning and consulting services. For such services, we charge a fixed fee and/or hourly fee for these services. Our financial planning and consulting fees generally range from \$2,000 to \$15,000 on a fixed basis and/or from \$175 to \$500 on an hourly basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. Our business planning fees generally range between \$25,000 to \$75,000 depending on complexity and length of engagement.

Compensation for Cross' investment advisory services is in accordance with "Exhibit A" of the Investment Advisory Agreement ("IAA"), that each Client enters into at the beginning of our professional relationship. The IAA may be amended from time to time upon 30 days written notice to a Client.

Fees are generally billed monthly in arrears and are based on the total value of assets under management at the close of trading on the last business day of the month. Some legacy accounts are billed quarterly in advance and are also based on the total value of assets under management at the close of trading on the last business day of prior quarter. The fee will be equal to the agreed upon rate per annum (again, as set-forth in Exhibit A of the IAA entered into each Client), times the market value of the account, divided by the number of days in the agreed upon year and multiplied by the number of days in the month/quarter. The market value will be construed to equal the sum of the values of all assets in the account, not adjusted by any margin debit. Fees for partial quarters (due to commencement or termination of the advisory relationship) will be billed or refunded on a pro-rated basis contingent on the number of days the account was open during the quarter.

**STANDARD FEE SCHEDULE FOR NON-WRAP ACCOUNTS**

- .85% for up to \$1,000,000 of assets under management
- .75% for the next \$1,000,000 of assets under management
- .60% for the next \$3,000,000 of assets under management
- .40% for amounts greater than \$5,000,000 of assets under management

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The minimum annual fee is \$5,000. The minimum fee for Investment Advisory Services may be reduced at the sole discretion of Cross Financial Services Corporation.

For purposes of determining value, securities 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 (or, if there shall be no sales on such date, then at the mean between the closing bid and asked prices on such date). Other readily marketable securities shall be priced using a pricing service or through quotations from one or more dealers. All other assets shall be valued at fair value by the Advisor, whose determination shall be conclusive.

Notwithstanding the above, our financial planning and investment advisory fees may be negotiable at each advisor's discretion.

- B** Fees may be paid directly to Cross from the account by the independent broker-dealer (also commonly referred to as a "custodian") holding a Client's account, upon submission of an invoice to the broker-dealer showing the amount of fees, the value of the Client's assets on which the fees are based, and the specific manner in which the fees are calculated. Payment of fees may result in the liquidation of a Client's securities if there is insufficient cash in the account. Clients understand and authorize Cross to debit fees directly from the Client's account. Fees are assessed on all assets in the account(s), including securities, cash and money market balances. Margin debits do not reduce the value of the assets in the account.

Cross may, at its sole discretion, pay all or a portion of the above stated fees to other parties involved in providing services to the account(s) and as permitted by law. All such shared payments will be fully disclosed to the Client. Generally, Cross isolates fees paid to other parties in an effort to provide transparency to Clients.

- C** Clients may also incur certain charges imposed by third-parties in



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connection with investments made the accounts(s), including (but not necessary limited to) the following types of charges: Investment Managers, mutual fund management fees and administrative servicing fees, mutual fund 12b-1 fees, certain deferred sales charges on previously purchased mutual funds, clearing, custody, postage and handling, other transaction charges and service fees (i.e. account transfer fees, wire transfer fees, termination fees, etc.), interest on debit balances, IRA and Qualified Retirement Plan fees, and other costs or charges with securities transactions mandated by law. Further information regarding charges and fees assessed by a mutual fund or other securities sponsors is available in the appropriate prospectus or disclosure statement.

In addition, where applicable, the investment management fee charged by the wrap fee program sponsor and corresponding broker-dealer/custodian of the Client's assets may be exclusive of, and in addition to, Cross' investment advisory fees set forth above. These charges are disclosed by the wrap fee program sponsor and typically include Cross' fee as part of the total fee. Clients typically see one fee in such cases.

- D** Fees are generally paid in arrears based on account assets at the end of a predictable time frame, such as a month or a quarter. Clients may terminate the agreement upon thirty (30) days written notice that is sent or delivered to Cross. Similarly, Cross may terminate the agreement and resign at any time with thirty (30) days notice by sending a written notice to the Client at the address on file with Cross. Client is responsible for all unpaid fees or charges due through the date of termination.
- E** The Principal and other supervised persons of Cross are also registered representatives of United Planners' Financial Services of America, a FINRA member broker-dealer. As registered representatives, they receive commission compensation for the sale of investment securities and investment products. While this relationship can cause a potential conflict of interest as it may incentivize representatives to recommend an investment due to compensation rather than Client needs, we mitigate this conflict by fully disclosing fee arrangements and by putting our Client's interests in front of our own.

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

We do not charge performance-based fees for our services. Accordingly, this Item is not applicable to our firm.

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#### **Item 7 – Types of Clients**

Cross' Clients are individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Because each Client is unique, we encourage their involvement and questions regarding the management of their account(s). Such involvement does not have to be time consuming, however, we want our Clients to remain informed and have a sense of security about their investments.

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

**A** We offer advice on investments primarily including (but not limited to) the following:

- Equity securities such as:
  - Exchange-listed securities
  - Securities traded over-the-counter
- Warrants
- Corporate debt securities
- Municipal securities
- Investment company securities:
  - Mutual fund shares
- United States government securities
- Options contracts on securities

Cross may also provide advice about any type of investment held in the Client's portfolio at the beginning of or throughout the advisory relationship.

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We primarily research and review securities using fundamental and technical analysis. 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), trading (securities sold within 30 days), short sales, margin transactions, and option writing (including covered options, uncovered options, or spreading strategies).

The main sources of information we rely upon when researching and analyzing securities include materials and resources such as financial publications, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

- B** Clients understand and accept that all investments are subject to risk, changing market conditions, and that losses in the principal amount of the account are possible, and that any past performance is no guarantee of future results. We will use our best judgment and good faith efforts in rendering services to our Clients. However, we cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment decision or recommendation made by us will be profitable. Clients assume all market risk involved in the investment of account assets and understand that investment decisions made for their account(s) are subject to various market, currency, economic, political and business risks.

Except as may otherwise be provided by applicable federal or state law, we are not liable to Clients for:

- ◆ Any loss that a Client may suffer by reason of any investment decision made or other action taken or omitted in good faith by us with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use;

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- ◆ Any loss arising from our adherence to a Client's instructions; or
- ◆ Any act or failure to act by a custodian of a Client's account. However, nothing in this Agreement shall relieve us from any responsibility or liability we may have under state or federal statutes. 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.

**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 that is applicable to this Item.

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

- A** As referenced in Item 5 above, Cross Principal Kirk W. Francis, and other advisor representatives, are registered representatives of United Planners' Financial Services of America, a FINRA member broker-dealer.
- B** Neither Kirk W. Francis nor any management persons are registered, or have an application pending to register, as a future commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C** INSURANCE AGENCY  
Certain of Cross' associated persons, in their individual capacities, are licensed to sell insurance with various companies, and in such capacity may recommend, on a fully disclosed basis, the purchase of certain insurance products. If a Client decides to purchase insurance through the associated person, the associated person shall receive insurance commissions or other additional compensation. To the degree this presents a conflict of interest, we will only sell an insurance product to fit a Client's insurance needs and we will always put the Client's interests first. Cross Insurance Group (CIG), a Texas Insurance Agency, is 100% owned by Kirk W. Francis who is also the president of Cross. Some of the sales of insurance products may be placed through this agency. On those occasions, there will be no additional costs to the Clients for using the CIG Agency.

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Certain of Cross' associated persons, in their individual capacities, may serve as expert witnesses on investment-related issues as well as for issues such as financial planning, ethics, and insurance. Cross' associated person will charge a separate fee for these services which shall be agreed upon prior to rendering the services. Cross does not anticipate that this relationship will pose any potential conflict of interest with Cross' Clients.

- D** When suitable and appropriate to achieve a Client's investing needs, we may recommend the active and discretionary management of a portion of a Client's account by certain independent managers. Such management will be in accordance with the Client's stated objectives and we will continue render monitoring and account review services to the Client to ensure investment objectives are being met. Any potential conflicts of interest involving this referral are mitigated by the fact that we do not receive referral compensation from the independent money managers.

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

- A** Cross has adopted a Code of Ethics Policy to prohibit conflicts of interest from personal trading by advisory personnel and has established standards of conduct expected of its advisory personnel. Cross has set forth in the Code of Ethics Policy statements of general principles, required course of conduct, reporting obligations, and review and enforcement of the Code of Ethics Policy. We also adhere to 10 Principles of Cross Culture which we adapted from James P. Owen's book, Cowboy Ethics (2004© James P. Owen). Cross will provide a copy of the Code of Ethics Policy and our 10 Principles of Cross Culture to Clients or prospective Clients upon written request.

**B,C,D** PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Clients understand that Cross and our employees may themselves own securities of the kind recommended for the Client's account(s). Similarly, Cross, or an associated person, may buy and sell some of the same securities for our own accounts that we buy and sell for our Clients. In all instances, where appropriate we will purchase a security for all of our existing accounts for which the investment is appropriate before purchasing any of the securities for our own account and, likewise, when we determine that securities should be sold, we will cause these securities to be sold from all of our advisory accounts prior to permitting the selling of the securities from our 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.

To counter potential conflicts of interest, when Cross is purchasing or considering for purchase any security on behalf of a Client, no associated person of Cross may effect such

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transaction in that security until a decision has been made not to purchase the security or the completion of the purchase of that security. Similarly, when Cross is selling or considering the sale of any security on behalf of a Client, no associated person of Cross may effect a transaction in that security prior to the completing of the sale or until a decision has been made not to sell such security.

When we are newly engaged by an investment advisory Client for whom we expect to recommend securities in which we hold a position, we will notify the Client of any policies in respect to associated persons trading for their own account.

## Item 12 – Brokerage Practices

**A** Although Clients may direct us to use a broker-dealer of their choosing to act as custodian for their account(s), we generally recommend that Clients open brokerage accounts with TD Ameritrade Institutional. In recommending broker-dealers, we seek to obtain “best execution,” meaning that we seek to execute securities transactions for Clients so that the total costs or proceeds in each transaction are the most favorable under the circumstances. The factors we consider when evaluating for best execution include:

- ◆ Execution capability;
- ◆ Commission rate;
- ◆ Financial responsibility;
- ◆ Responsiveness;
- ◆ Broker-dealer capabilities;
- ◆ The value of any research services/brokerage services provided; and
- ◆ Any other factors that we consider relevant.

However, if the Client selects the broker-dealer of their own choosing, we may be unable to seek best execution of your transactions, and your commission costs may be different than those of our recommended broker-dealers. In addition, we may place your transactions after we place transactions for Clients using our recommended broker-dealers. Additionally, we may need to charge higher fees to meet such accommodation requests. Furthermore, performance reporting for such accounts will be more limited.

Certain broker-dealers may provide us with the following products/services:

- ◆ Products that allow us to communicate electronically with the broker-dealer, making it easier for us to download account information place and allocate

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trades, and submit advisory fees for withdrawal.



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**B** We may buy or sell for ourselves the same securities that we buy or sell for Clients. This practice 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 participate in an aggregated trade with Clients, or unless we place our orders after Client orders have been executed; and
- ◆ We are required to periodically report our securities holdings and transactions to our Chief Compliance Officer, who must review those reports for improper trades.

**Item 13 – Review of Accounts**

- A** Performance of the securities purchased for a Client will be continually reviewed and evaluated by Cross to determine whether the security position should be liquidated (even if below the original purchase price), increased (even at prices higher than originally acquired), or maintained. Review of individual investment accounts is conducted and/or supervised by Kirk W. Francis, President and Chief Executive Officer along with each advisor reviewing his/her associated accounts. Reviews can occur as often as quarterly, or in some instances, may occur more often. The level and frequency of a review is determined by Client need and at our discretion. The review focuses on accuracy, completeness and suitability. Along with looking over the Client's account, we are happy to assist Client in interpreting and/or compiling statements and reports, and transferring relevant information onto the appropriate place on the Client's financial statements as part of the review process.

Reviews of financial plans or financial recommendations occur on an as-needed basis.

- B** Account reviews may be triggered by a change in a Client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; change in corporate management; or, changes in macro-economic climate. Reviews can also occur as a result of information garnered from Advisor's receipt of confirmations, customer statements and/or Client statements or performance reports from third party managers or other financial institutions.
- C** Clients receive periodic statements, confirmations and performance reports from various financial service institutions and firms with which the Client transacts business. These firms may include, but are not limited to, brokerages, investment companies, trust companies, other registered investment advisors, banks and credit unions. Clients understand that primary trade confirmation, account statements, annual reports, and prospectuses will be mailed directly from the broker-dealer/custodian of the account.
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The frequency of the statements and reports is determined by the financial institution or firm generating the reports. The usual frequency is monthly, quarterly, or annually, or in the instance of confirmation reports, as transactions occur unless Client has requested a quarterly confirm report from a broker-dealer/custodian offering such a service.

**Item 14 – Client Referrals and Other Compensation**

We have no arrangements, written or oral, in which it compensates any individuals or entities for referrals of Clients.

**Item 15 – Custody**

Other than having the ability to deduct our fees directly from 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. The SIPC provides only limited protection for the loss of property held by a custodian.

**Item 16 – Investment Discretion**

Except as otherwise instructed, our Clients grant us ongoing and continuous discretionary authority to execute its investment recommendations in accordance with our Statement of

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Investment Policy (or a similar document used to establish each Client's objectives and suitability), without a 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(s), determine the amount of securities to be bought or sold, arrange for delivery and payment in connection with the foregoing, select and retain sub-advisors, and act on their behalf in most matters necessary or incidental to the handling of their account, including monitoring certain assets. All transactions in Client accounts are made in accordance with the directions and preferences provided to us by our Clients. Clients execute instructions regarding our trading authority as required by each broker-dealer.

Cross may also recommend that Clients authorize the active discretionary management of a portion of their assets by certain independent manager(s), based upon the stated investment objectives of the Clients.

#### **Item 17 – Voting Client Securities**

Cross does not vote Client proxies and has instructed the custodian to forward all proxy materials directly to each Client. In the event we do receive a proxy, we forward any and all such materials to the Client or to the Trustees or applicable Advisor (such as for an employee benefit plan covered by ERISA), unless the plan's trust agreement provides otherwise.

#### **Item 18 – Financial Information**

- A** Cross does not require prepayment of fees of more than \$1,200 per Client six months or more in advance, therefore disclosures required in this section do not apply to our firm.
- B** Cross has no financial commitment which would impair or impede its

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ability to meet contractual and fiduciary commitments to Clients.

**C** Nobody associated with Cross has ever been the subject of a bankruptcy petition.

**Item 18 – ADV Part 2B**

Please refers to separate brochure for this information.