

## Item 1 – Cover Page

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This brochure provides information about the qualifications and investment advisory business practices of Gainsborough Financial Consultants, Inc. If you have any questions about the contents of this brochure please contact us at (310) 440-1400. 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 Gainsborough Financial Consultants, Inc.'s advisory business is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view information on this website by searching for Gainsborough Financial Consultants, Inc.'s name or using the firm's CRD number: 124990.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

In March 2012, our office address changed to the location shown on the cover page of this Disclosure Brochure and we had a change in our senior management. There have been no other material changes since our last annual amendment in March 2011. We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4 – Advisory Business**

### **Ownership**

Gainsborough Financial Consultants, Inc. (“Advisor” or “we”) is an investment advisor registered with the Securities and Exchange Commission since October 2004. We are a California corporation owned by Cooper Financial Group. Cooper Financial Group is owned by Arthur Y. Cooper and David S. McManus.

### **General Description of Primary Advisory Services**

We offer personalized investment advisory services including financial planning, asset management and referrals to third party money managers. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

#### ***Financial Planning Services (Plans and Consultations)***

Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning and other areas. The role of a financial planner is to find ways to help clients understand their overall financial situation and help them set financial objectives.

We offer advisory services in the form of financial plans and consultations. These services do not involve actively managing your accounts. Instead, comprehensive planning services focus on your overall financial situation. Modular planning services and consultations (both one-time and on-going) focus on specific areas of concern to you.

#### ***Asset Management Services***

We offer asset management services providing you with continuous and on-going supervision over your accounts. This means that we continuously monitor your account and make trades in that account when necessary.

#### ***Referrals to Third Party Money Managers***

We offer advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

### **Limits Advice to Certain Types of Investments**

We generally offer investment advice to clients on the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Mutual fund shares

We reserve the right to offer advice on any investment product that may be suitable for each client’s specific circumstances, needs, goals and objectives. Please also see **Item 5, Fees and Compensation**, for additional information about portfolio holdings in managed accounts.

Please refer to **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

#### **Tailor Advisor Services to Individual Needs of Clients**

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

#### **Wrap-Fee Program versus Portfolio Management Program**

In traditional management programs, advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services and transaction services are provided for one fee. We do not act as a portfolio manager of or sponsor wrap fee programs.

#### **Client Assets Managed by Advisor**

The amount of clients' assets managed by Advisor totaled \$35,059,111 as of December 31, 2011, with \$34,342,426 managed on a discretionary basis and \$716,685 managed on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

In addition to the information provide in **Item 4, Advisory Business**, this section provides details regarding our services along with descriptions of each service's fees and compensation arrangements.

#### **Financial Planning**

We offer written financial planning services consistent with your current financial situation as well as your financial goals and objectives. Our investment advisor representatives ("representatives") meet with you to gather information and documentation needed to perform an analysis and review of your situation as well as your objectives and goals. One or more meetings may be required in order to gather all needed information and determine the services best suited to help meet your needs. We rely on the information provided by you. Therefore, it is very important that the information you provide is complete and accurate. We are not responsible for verifying the information supplied by you. Our services do not include legal or tax advice. You are also urged to work closely with your attorney, accountant or other professionals regarding you financial and personal situation.

After completing a review and analysis of the information and documents received, our representatives develop their analyses and recommendations and present either a comprehensive or modular (segmented) written financial plan. A comprehensive plan focuses on your overall financial situation and covers several of the areas previously noted, as needed by your specific situation. A modular (segmented) plan focuses only on one or more specific area(s) of concern to you, and you should be aware that other important issues may not be taken into consideration when our representatives develop their analyses and recommendations. Our representatives may use prepackaged software programs including, but not limited to, Planning Tools, Lumen and Number Cruncher, to assist in preparing the requested financial plan.

Fees for comprehensive and segmented financial planning services may be charged in the form of a fixed or hourly fee, as determined jointly by you and us. Hourly fees are billed at a rate of up to \$500 per hour. We provide an estimate of the time needed to provide the requested services. If the actual time needed

exceeds the estimate, we contact you for permission prior to continuing any work. You are charged the actual hours used. Fixed fees do not exceed \$100,000. Both hourly and fixed fees are negotiable based on the complexity of your situation, the representative providing the services, the actual services provided and any extraordinary expenses (i.e., travel costs or engaging other professionals) that may be incurred in providing the services. The negotiated fee is disclosed to you prior to services being provided. Half the quoted fee is due at the time the client agreement is signed and the remaining half is due upon presentation of the plan to you.

If you purchase a comprehensive financial plan, you also receive 12 months of ongoing financial planning/investment consultation services at no additional charge. During those 12 months, you can call or visit with our representatives any number of times on any matter related to the previously prepared plan. If you desire an update to the original written plan or if you elect to renew financial planning services after the one year period has elapsed, a new client agreement may be required and additional fees may be charged.

### ***Limited Consultations***

You may also contract with us for limited consultation services. Fees for consultation services may be charged in the form of a fixed or hourly fee, as determined jointly by you and us. The fees are negotiable based upon the complexity of your situation, the representative providing the services, the actual services provided and the estimated time required to complete the consultations.

Fees for hourly consultations are billed at a rate of up to \$500 per hour, and an estimate of the total hours needed is provided to you before services are provided. If more time is needed to complete the services than the original estimate provided, our representative's contact you about the additional time needed and cost involved. Our representatives do not proceed with the additional work unless you authorize it. For fixed fees, the negotiated fee is disclosed to you before to any services are provided. No adjustment is made to the quoted fixed fee whether or not the actual time expended is more or less than the calculations used in the original quote. A retainer of half of the quoted fee is due at the time the client agreement is signed. For hourly charges, we track and monitor the amount of time expended on your account. Once the retainer has been exhausted, we bill you at the end of each month for the time expended that month. For fixed fees, the remainder of the fee is due upon the completion of the consultation services. We send you an invoice for both fixed and hourly fees. Services terminate upon completion of the consultation services.

### ***Ongoing Consultations***

You may also contract with us for ongoing consultation services on any topic(s) of interest to you and receive 12 months of ongoing consultations which are renewed automatically each year on the anniversary date of signing the original client agreement, unless sooner terminated by either party. If the services or the fees charged change at the anniversary date, a new client agreement is required. Fixed fees for this service range begin at \$1,000 per year and are payable quarterly in advance upon receipt of our billing statement. Fees are negotiated depending on the complexity of your situation, the representative providing the services, the actual services provided and any extraordinary expenses (i.e., travel costs or engaging outside professional services) that may be incurred in providing the services. The negotiated fee is disclosed to you before services are provided.

### ***Payment Options***

For all financial planning and limited consultation services, we jointly determine if the requested services are charged on a fixed or hourly basis. You have the option to have fees billed directly, automatically deducted from an existing investment account or charged to your credit card. If you choose to have fees automatically deducted from an existing investment account or paid via a credit card, you are required to provide the account custodian with written authorization to do so. At no time do we act as custodian for your account or have direct access to your funds and/or securities.

### ***Commission and Fee Offset***

In addition to providing advisory services, representatives are also registered representatives and insurance agents. Therefore, they may earn fees when providing advisory services and commissions when selling securities and/or insurance products. See, **Additional Compensation**, below.

You may select any broker/dealer or insurance agent you wish to implement any transactions recommended by our representatives. If you elect to have our representatives implement the transactions, they may waive or reduce the amount of the advisory fee by the amount of the commissions received. Any reduction is at their discretion but does not exceed 100% of the commission received.

You may also elect to implement the advice of our representatives through one or more of our other advisory programs disclosed in this Disclosure Brochure. In this case, our representatives may waive or reduce the amount of the advisory fee as a result of earning additional ongoing fees. Any reduction is at their discretion and is disclosed to you prior to implementing any transactions or contracting for additional services.

### ***Termination***

Comprehensive and segmented financial planning services and limited consultation services terminate upon presentation of the plan or completion of the consultations. For all services, either party may terminate services at any time by submitting written notice to all appropriate parties. Termination is effective upon receiving the notice. If services are terminated within five business days of executing the client agreement, services are terminated without penalty. After the initial five business days, you are responsible for paying fees charged for the time and effort expended by our representatives prior to receiving the termination notice. A prorated refund or a prorated charge is determined based on the time and effort expended by our representatives before the effective date of termination. For fixed fees, the prorated charge is based on the scope of work completed. We send you a statement summarizing any prorated refund or prorated charge due.

### ***Newsletters***

We may contract with an outside vendor to prepare general, educational and informational newsletters. Newsletters are provided to clients and prospective clients free of charge.

### ***Seminars***

We may also provide seminars in areas such as financial planning, retirement planning and estate and charitable planning. No fees are charged for such seminars. However, if we are hired by larger groups, such as corporations, we reserve the right to charge fees to cover the expenses incurred by us for presenting the seminars. In this case, all fees and payment provisions are fully disclosed to clients prior to the seminar being presented.

### **Asset Management Services**

We offer asset management services, including giving continuous investment advice and/or making investments for you based on your individual needs, goals and objectives. We offer a customized and individualized investment program, and our representatives meet with you to determine your investment objectives, risk tolerances and appropriate asset mixes. When managing assets, we may utilize model portfolios and programs developed by unaffiliated investment strategists.

We require that your assets be maintained in a brokerage account with Pershing, LLC ("Pershing"), a registered broker/dealer and member SIPC. See **Item 12, Brokerage Practices**, for additional discussion on our recommendation and use of Pershing. We assist you in establishing a managed account through Pershing, and Pershing maintains custody of your funds and securities. Neither we nor



our representatives act as custodian and we do not have access to your funds and securities except to have advisory fees deducted from your account by the custodian with your prior written authorization and then paid to us.

We are granted trading authorization on your accounts and provide management services on a discretionary basis only. See **Item 16, Investment Discretion**, for additional discussion on discretionary authority.

Fees for management services do not exceed 2% per year and are negotiable based on the assets under management, the complexity of your situation and the history of your relationship to us. Fees are billed quarterly in arrears and calculated on the value of the account at the end of the quarter. Accounts opened mid-quarter are prorated based on the number of days that services are provided during the first billing period.

Fees are deducted from your account, and you must provide the custodian with written authorization to have the fees deducted and paid to us. At least quarterly, the custodian sends you a statement showing all disbursements from the account, including any advisory fees deducted.

Pershing may charge separately for maintaining custody of your accounts, as well as for brokerage commissions and/or transaction fees. These charges are made directly to you. We do not receive any portion of those commission or fees from either the custodian or from you. In addition, you may incur certain charges imposed by third parties other than us in connection with investments made through your account, including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges and IRA and qualified retirement plan fees. Our management fees are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each security prospectus.

Either party may terminate services at any time by providing written notice to the other party. If services are terminated within 5 business days of signing the client agreement, they are terminated without penalty. After the initial 5 day period, a 30 day notice is required. During that 30 day period, we continue to provide services previously begun but do not begin any new services without your specific instruction. Fees are prorated to the effective date of termination and we provide you with a detailed billing statement.

### **Additional Compensation**

You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any recommendations made by our representatives. If you do decide to implement recommendations, you are responsible for taking any actions or implementing any transactions required. You are free to select any broker/dealer and/or insurance agent to implement our recommendations.

Our owner, Cooper Financial Group, is an investment advisor registered with the Securities and Exchange Commission. The owners of Cooper Financial Group are therefore our indirect owners. Cooper Financial Group and its owners share in our profits. Our indirect owners can also earn advisory fees in their capacity as investment advisor representative and indirectly can share in our profits.

Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional information.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not

predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. Both we and our representatives endeavor at all times to put your interests first as a part of our fiduciary duty. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of our representatives when making advisory recommendations.

### **Comparable Services**

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

## **Item 7 – Types of Clients**

We provide investment advice to the following types of clients:

- Individuals (including high-net worth individuals)
- Pension and profit sharing plans
- Trusts, estates or charitable organizations
- Corporations or business entities other than those listed above

### **Minimum Investment Amounts Required**

There are no minimum account requirements and no minimum advisory fees charged.

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

### **Methods of Analysis**

We use fundamental analysis when considering investment strategies and recommendations for clients. Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

We evaluate the potential benefits and risks inherent within investment categories. Investment characteristics are then matched to the client's needs and preferences to determine an appropriate mix of investment vehicles. Individual securities within a particular investment category are selected based on fundamental analysis. When managing assets, we may use model mutual fund asset allocation portfolio programs provided by a number of institutional investment managers and strategists.

There are risks with using this analysis method. Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Therefore, fundamental analysis could mean a gain is not realized until a security's market price rises to its "correct" value over the long run--perhaps several years. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

We may also use fund strategists that utilize technical analysis. This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

There are also risks in using technical analysis. Technical analysis uses a shorter timeframe than fundamental analysis—often weeks or days. The price and volume data reviewed is released on a daily basis. As a general statement, technical analysis is used for a trade while fundamental analysis is used for an investment. It could also be said that traders buy assets they believe they can sell to someone else at a greater price while investors buy assets they believe will increase in value. The frequency of trading securities using technical analysis could have both a positive or negative impact and could also lead to increased brokerage and transaction costs, thus lowering performance.

### **Investment Strategies**

When implementing investment advice, our investment strategies include:

- Long term purchases (securities held at least a year.)
- Short term purchases (securities sold within a year.)
- Trading (securities sold within 30 days)
- Margin transactions (Investor pays for part of the purchase and borrows the rest from a brokerage firm; e.g., investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Advisor.)
- Option writing (Including covered options, uncovered options or spreading strategies.) (Note: options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.)

We also use model asset allocation portfolio programs provided by a number of institutional investment managers and strategists.

We gather information from financial newspapers and magazines, research materials prepared by others, and annual reports, prospectus and other filings with the Securities and Exchange Commission.

### **Risk of Loss**

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee

that your goals will be achieved. Further, depending on the different types of investments, there may be varying degrees of risk:

- Market Risk. Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- Equity (Stock) Market Risk. Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- Company Risk. There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- Options Risk. Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- Fixed Income Risk. Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- ETF and Mutual Fund Risk. ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- Management Risk. Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account
- The account custodian or clearing firm can force the sale of securities or other assets in your account
- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call

- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and are not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

### **Primarily Recommend One Type of Security**

We do not recommend any specific security to clients. Instead, we recommend any product that may be suitable for each client relative to their specific circumstances and needs.

### **Item 9 – Disciplinary Information**

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

### **Item 10 – Other Business Activities & Industry Affiliations**

We are not and do not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker
- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- Accountant or accounting firm
- A lawyer or law firm
- A pension consultant
- Real estate broker or dealer
- A sponsor or syndicator of limited partnerships

We are an independent registered investment registered advisor and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment advisor representatives with us.

### **Registered Investment Advisor**

We are a wholly owned subsidiary of Cooper Financial Group, which is owned by Arthur Y. Cooper and David S. McManus. Cooper Financial Group is an investment advisor registered with the Securities and Exchange Commission. Thus, we are an affiliated entity with Cooper Financial Group. Although Cooper Financial Group also provides advisory services, its services are separate from those provided by us and separate client agreements are required for clients engaging Cooper Financial Group’s services. However, because of the affiliation, and because Messrs. Cooper and McManus share in the profits earned by both us and Cooper Financial Group, there is a conflict of interest. You are under no obligation to use our advisory services or the advisory services of Cooper Financial Group.

### **Securities Sales**

You should be aware that some of our representatives are also registered representatives of Securities America, Inc., a registered broker/dealer and member of FINRA/SIPC. In this separate capacity, they can receive a commission for selling securities products. This is a potential conflict of interest. However, these representatives are also investment advisor representatives of Cooper Financial Group, an investment advisor registered with the Securities and Exchange Commission. Cooper Financial Group is also the sole owner of Advisor. These dually registered representatives do not implement securities transactions for Advisor's clients. Therefore, no securities commissions are received.

### **Insurance Sales**

Some of our dually registered representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they may receive fees or commissions for selling these products. In addition, our owner, Cooper Financial Group, is a licensed insurance entity. You are under no obligation to direct insurance transactions to insurance companies with which our representatives may be licensed or to Cooper Financial Group. Suitable insurance and investment products may be available from other companies.

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

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary and has a fiduciary duty to clients. We have established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects our fiduciary obligations and those of our supervised persons and requires compliance with federal securities laws. Our Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment advisor representatives are classified as supervised persons. We require our supervised persons to consistently act in clients' best interests in all advisory activities. We impose certain requirements on our affiliates and supervised persons to ensure that they meet our fiduciary responsibilities to clients. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is only intended to provide current and potential clients with a description of our Code of Ethics. If current or potential clients wish to review the Code of Ethics in its entirety, a copy will be provided promptly upon request.

Some of our representatives are also Certified Financial Planner™ (CFP®) certificants and abide by the Code of Ethics and Responsibility of the Certified Financial Planner Board of Standards, Inc. The Code of Ethics and Responsibility requires CFP® certificants to not only comply with all applicable laws and regulations but to also act in an ethical and professionally responsible manner in all professional services and activities. The principles guiding CFP® certificants are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility by requesting a copy from us.

## **Participation in Client Transactions and Personal Trading**

We and our representatives may buy or sell securities for our own accounts that are recommended to clients. We may also recommend the purchase or sale of different securities for different clients at different times. This could result in contrary advice being given or action taken on behalf of clients and in our personal accounts and our representatives' personal accounts.

We are and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. To prevent conflicts of interest, we developed policies and procedures that include personal investment and trading policies for our representatives, employees and our immediate family members (collectively, "associated persons"):

- Associated persons do not prefer their own interests to that of the client
- Associated persons do not purchase or sell any security for their personal accounts prior to implementing transactions for client accounts
- Associated persons do not buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investment public upon reasonable inquiry
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider"
- Associated persons are discouraged from frequent personal trading
- Associated persons are generally prohibited from serving as board members of publicly-traded companies unless an exception has been granted by our principal officers and/or Chief Compliance Officer

To the extent we or an associated person maintain an outside account, the associated person must make arrangements to send quarterly statements to us, complete an annual certification concerning their personal securities activities and provide additional information about personal trading activities as may be required under our insider trading policy and Code of Ethics. Any associated persons not observing our policies may be subject to sanctions up to and including termination.

## **Agency Cross Transactions**

Our associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

## **Item 12 – Brokerage Practices**

If you wish to implement our advice, you are free to select any broker/dealer or investment advisor you wish and are so informed. If we assist you in implementing any recommendations, we have a duty to ensure that you receive the best execution possible. Best execution does not necessarily mean the lowest price but includes the overall services received from a broker/dealer. You should understand that not all investment advisors require the use of a particular broker/dealer. There may be other platforms that are less expensive and may provide faster execution capabilities.

If you elect to utilize our management services, you are required to establish brokerage accounts at Pershing. Pershing provides us with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Pershing include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Pershing also makes available to us other products and services that benefit us but may not benefit our clients' accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of our accounts. Pershing also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing

In addition, Pershing may make available, arrange and/or pay for these types of services rendered to us by independent third party providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our recommendation that you maintain your assets in accounts at Pershing may be based in part on the benefit to us in the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Pershing. This may create a potential conflict of interest.

You are under no obligation to act on our recommendations. You may select a broker/dealer or account custodian other than Pershing, although in this case we cannot assist you with asset management services.

### **Best Execution**

While we do not allow directed brokerage, we must still use reasonable diligence to make certain that best execution is obtained for clients when implementing any transactions. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions surrounding the transaction execution is in the best interests of clients. When considering best execution, our associated persons look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with existing systems of the advisor, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered. We perform periodic reviews to determine that the relationship with Pershing is still in the best interests of clients.



## **Soft Dollar**

Investment advisors may direct portfolio brokerage commissions to a particular broker/dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research are known as “soft dollars.” Section 28(e) of the *Securities Exchange Act of 1934* provides a “safe harbor” that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

Although we don’t allow directed brokerage, we may still receive products and services from Securities America, Inc. (“SAI”), Securities America Advisors, Inc. (“SAA”) or other program sponsors and product issuers. These products and services may be used for both research and non-research purposes and allows us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues
- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. We do not attempt to allocate the relative costs or benefits of research among clients because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to clients.

These arrangements may be deemed to create a conflict of interest to the extent that we would have to pay for some or all of the research and/or services with “hard dollars” if we were unable to obtain the research and services in exchange for commissions in connection with client transactions. Client trades are always implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

## **Block Trades**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used by us when we believe such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions are averaged as to price and allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation or remuneration as a result of block trades.

## Item 13 – Review of Accounts

### **Account Reviews**

Since segmented financial planning services and limited consultations terminate upon completion of the services, no ongoing reviews are performed. However, we recommend that you have your financial situation reviewed at least annually. Additional fees may be charged and you may be required to execute a new client agreement for additional services. If you contract for comprehensive financial planning services, you also receive 12 months of ongoing consultation services regarding financial planning and investment matters at no additional charge. These ongoing services include at least an annual review and update of your financial plan but you may request more frequent reviews. Managed accounts are reviewed at least quarterly.

While the calendar is the main triggering factor, reviews can also be conducted at your request, due to changes in your financial situation or the services we are providing or due to changes in market conditions.

Our representatives are responsible for reviewing their own accounts under the supervision of Arthur Y. Cooper and David S. McManus. Absent your specific instructions, we review accounts to verify portfolio holdings, appropriate asset allocation, possible re-balancing needs, anti-money laundering concerns, fee calculation accuracy, continued suitability and that performance remains consistent with your investment goals and objectives.

### **Account Reports**

You receive confirmations and/or statements from the investment company, broker/dealer, broker/dealer's clearing firm and/or money manager where your account is maintained. If you have a managed account, we provide you with a quarterly performance report. If you have multiple accounts under different registration and identical portfolio objectives the report generally reflects values and activity for all of your accounts in the aggregate.

## Item 14 – Client Referrals and Other Compensation

### **Client Referrals**

Although we do not currently have any relationships in place, we may enter into agreements with unaffiliated solicitors (Referring Parties) to refer clients to us. If a client is referred to us by a solicitor, the solicitor provides the client with a copy of our Disclosure Brochure as required by Rule 204-3 of the *Investment Advisers Act of 1940*. The client also receives a copy of the solicitor disclosure statement containing the information set forth in Rule 206(4)-3 of the *Investment Advisers Act of 1940*. If a referred client enters into an investment advisory agreement with us, a referral fee is paid to the solicitor. The referral relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided.

The referral agreements between us and the solicitors are in compliance with regulations as set out in 17 CFR §275.206(4)-3 and the Rules under the *Investment Advisers Act of 1940*.

### **Other Compensation**

Please see **Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations** and **Item 12, Brokerage Practices**, for additional discussion about solicitor/referral fees from third party managers, other compensation and non-economic benefits.

## **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. Please note that regulators have deemed the authorization to trade in client accounts to not be custody. However, we are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. Our procedures do **not** result in our maintaining custody of client funds and securities.

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

## **Item 16 – Investment Discretion**

In addition to having trading authority on your accounts, we implement trades in managed accounts on a discretionary basis. This means we make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority.

When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian. You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

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

We do not vote proxies on your behalf. You are solely responsible for all proxy voting decisions. You should read through the information provided with the proxy voting document and make a determination based on the information provided.

## **Item 18 – Financial Information**

This item is not applicable to our brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

## Client Privacy Notice

We are a registered investment advisor in the business of providing investment advisory services to clients. We are committed to safeguarding the confidential information of our clients and hold all personal information provided to us in the strictest confidence. Associated persons may also be registered representatives of SAI, a registered broker/dealer that is not affiliated with us. We may also have relationships with other non-affiliated investment advisors, such as SAA, an affiliate of SAI, insurance companies, trust companies, custodians and other financial institutions. Except as required or permitted by law, we do not share confidential information about clients with non-affiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of the client's confidential information, we provide written notice to the client, and the client is given an opportunity to direct us as to whether such disclosure is permissible.

### AN IMPORTANT NOTICE CONCERNING CLIENTS' PRIVACY

**Customer Information Collected.** We collect and develop personal information about clients, and some of that information is non-public personal information (Customer Information). The essential purpose for collecting Customer Information is to provide and service the financial products and services the client obtains from us. The categories of Customer Information collected by us depend upon the scope of the engagement with us and are generally described below. As an investment advisor, we collect and develop Customer Information about the client in order to provide investment advisory services.

Customer Information collected includes:

- Information received from the client on financial inventories through consultation with our associated persons. This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account and other records concerning the client's financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.
- Information developed as part of financial plans, analyses or investment advisory services.
- Information concerning investment advisory account transactions, such as wrap account transactions.
- Information about the client's financial products and services transactions with us.

**Data Security.** We restrict access to Customer Information to associated persons and employees who need the information to perform their job responsibilities within the firm. We maintain agreements, as well as physical, electronic and procedural securities measures, that comply with federal regulations to safeguard Customer Information about the client.

**Use and Disclosure of Customer Information to Provide Customer Service to Client Accounts.** To administer, manage and service client accounts, process transactions and provide related services for client accounts, it is necessary for us to provide access to Customer Information within the firm and to non-affiliated companies such as SAI, SAA, other investment advisors, other broker/dealers, trust companies, custodians and insurance companies. We may also provide Customer Information outside of the firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

**Former Clients.** If the client closes an account with us, we continue to operate in accordance with the principles stated in the Notice.

**Requirements of Federal Law.** In November of 1999, Congress enacted the *Gramm-Leach-Bliley Act (GLBA)*. The *GLBA* requires certain financial institutions, including broker/dealers and investment advisors, to protect the privacy of Customer Information. To the extent a financial institution discloses Customer Information to non-affiliated third parties other than as permitted or required by law, clients must be given the opportunity and means to opt out (or prevent) such disclosure. Please note that we do

not disclose Customer Information to non-affiliated third parties, except as permitted or required by law (e.g., disclosures to service client's account or to respond to subpoenas).

California's privacy rules are stricter than federal rules. It is an opt-in state. Some advisors have added something similar to the following to their privacy policy they deliver to clients:

State law prohibits us from sharing any of your personal information with a third party without your permission. You have a right not to permit us to share this information with anyone else. As a registered investment advisor, in order for us to provide financial services and service your accounts, you must check the "yes" box below if you consent to our sharing such information. You must then complete, sign and return the form to our firm.

Consent granted:    ☐ Yes            ☐ No

Signature: \_\_\_\_\_

Printed name: \_\_\_\_\_

Date: \_\_\_\_\_