

FARNSLEY & JOHNSTON WEALTH MANAGEMENT CONSULTANTS, LLC

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Farnsley & Johnston Wealth Management Consultants LLC

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April 2011

This Brochure provides information about the qualifications and business practices of Farnsley & Johnston Wealth Management Consultants, LLC. If you have any questions about the contents of this Brochure, please contact us at (850) 227-3336 or [aaron.farnsley@farnsley.com](mailto:aaron.farnsley@farnsley.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Farnsley & Johnston Wealth Management Consultants, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Farnsley & Johnston Wealth Management Consultants, LLC is also 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 (“SEC”) published “Amendments to Form ADV” under the Investment Advisers Act of 1940 (“Advisers Act”) which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated April 2011 is a new document prepared according to the new requirements.

We 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 Farnsley & Johnston Wealth Management Consultants, LLC. at (850) 227-3336 or [aaron.farnsley@farnsley.com](mailto:aaron.farnsley@farnsley.com).

Additional information about Farnsley & Johnston Wealth Management Consultants, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Farnsley & Johnston Wealth Management Consultants, LLC who are registered, or are required to be registered, as investment adviser representatives of Farnsley & Johnston Wealth Management Consultants, LLC.

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#### **Item 4 – Advisory Business**

##### **I. About the Firm**

Farnsley & Johnston Wealth Management Consultants, LLC (herein “Farnsley & Johnston”), initially conducting business as Farnsley Financial Consultant, LLC, is an investment advisory firm and has been in business since 2002. Farnsley & Johnston, a Registered Investment Adviser with the SEC, is an affiliate of Triad Advisors, Inc. (“Triad”), a registered broker-dealer, Member FINRA/SIPC. Investment Adviser Representatives herein (“Financial Consultants”) of Farnsley & Johnston are also registered broker-dealer representatives of Triad. Triad is a wholly owned subsidiary of Ladenburg Thalmann Financial Services (“LTFS”) which owns 100% of affiliate subsidiary entities. LTFS is listed on the NYSE Amex exchange under the symbol LTS.

##### **II. Types of Farnsley & Johnston Advisory Services**

###### **a. Consulting Services.**

- i. Farnsley & Johnston provides personal consultations to clients that are intended to address the client’s individual questions, financial needs, and personal circumstances. The consulting services may encompass a wide variety of issues and topics, including investment recommendations. The client has sole responsibility for determining whether to implement any recommendations made during any personal consultation. The client may, but is not required to, implement any of the recommendations through Farnsley & Johnston as investment adviser or through any of its affiliates. If the client chooses to use Farnsley & Johnston or an affiliate to implement any recommendations, those activities are separate and distinct from the financial consulting services provided by Farnsley & Johnston under a consulting services agreement. Farnsley & Johnston will also provide the client with a quarterly performance review of the assets identified in the client’s consulting services agreement.

###### **b. Plan Sponsor Services.**

- i. Farnsley & Johnston provides investment consulting services to sponsors of retirement plans (“Plan Sponsors”). These services may include: identifying funds for the Plan Sponsor’s review and final selection based on the selection criteria stated in the Plan’s investment policy statement; assisting in enrollment and communication meetings for plan participants; and assisting Plan Sponsor in reviewing quarterly fund performance reports.
- ii. Plan participants may separately engage an affiliate Ladenburg Thalmann Asset Management (“LTAM”) to manage their Plan assets on a discretionary basis

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through the Ladenburg Thalmann Discretionary – Professionally Managed program. LTAM will buy and sell funds available through the Plan on a discretionary basis in accordance with the investment strategy selected by the Participant and any limitations set by the Plan Sponsor. LTAM will not have discretion to select a different investment strategy without the client's written authorization.

**c. Non-Wrap Advisory Programs.**

- i. Farnsley & Johnston offers advisory services through Triad sponsored non-wrap Crown and Summit Programs. Information about these programs is set forth in separate Triad brochure that is available upon request. Farnsley & Johnston manages accounts on a discretionary basis by purchasing, selling, or otherwise trading securities or other investments. Such securities may include: exchange-listed equity securities, securities traded over-the-counter, foreign equities, corporate debt securities (other than commercial paper), certificates of deposit, and municipal securities, options on securities, government securities, exchange-traded funds, and mutual funds. Clients may direct that transactions be executed through Triad, an affiliate broker-dealer of Farnsley & Johnston or a non-affiliated broker-dealer. If a client so directs, the client may pay more in transaction charges and/or commissions depending on which broker-dealer client chooses. Triad is a full service, retail broker-dealer and not a discount brokerage firm.

**d. Wrap Fee Programs.**

- i. Farnsley & Johnston also provides advisory services through the Pinnacle wrap programs sponsored by Triad.
- ii. Under these programs, clients pay a single fee that covers both advisory services provided by Farnsley & Johnston and brokerage services provided by its affiliated broker-dealer, Triad. Farnsley & Johnston receives a portion of the wrap fee, which it shares with its financial consultant servicing the account. In addition affiliated advisers sponsor and/or manages accounts in these programs differently than the accounts managed pursuant to the services described in this brochure because of the different nature of the services provided. Information about the wrap fee programs is set forth in separate wrap program brochures that are available upon request.

**e. Individual Client Needs and Restrictions.**

- i. For each type of service, clients inform their Farnsley & Johnston financial consultant of their investment objectives, risk tolerance, and investment time horizon and give their financial consultant any applicable investment policies, guidelines, or reasonable restrictions. Based on this information, Farnsley & Johnston tailors its advisory services to the individual needs of the client. Clients (except for investors in the funds) may impose reasonable restrictions on investment in certain securities or types of securities.

**f. Assets Managed.**

- i. **Farnsley & Johnston** has \$44 million of assets managed on a non-discretionary basis as of 04/07/2011.

**Item 5 – Fees and Compensation**

Farnsley & Johnston is compensated for its advisory services as set forth below. All fees are subject to negotiation. The specific manner in which fees are charged by Farnsley & Johnston is established for a client in the client's written investment advisory agreement with Farnsley & Johnston.

**a. Plan Sponsor and Plan Participant Services.**

- i. In exchange for the services provided to Plan Sponsors, Farnsley & Johnston will charge an annual fee of up to 2.00% based on the value of the Plan assets or an annual flat rate. The fee is paid at the end of each month or each quarter in arrears. Plan Sponsors may terminate their agreements at any time upon thirty days' written notice. If the Plan Sponsor services are terminated during any period except on the last business day of a quarterly period, the fee will be assessed pro rata based on the number of days that services were provided. If the fee is to be paid out of Plan assets, the Plan Sponsor generally authorizes the Plan record keeper to calculate and instruct the custodian to deduct the fee from the Plan assets and pay it to Farnsley & Johnston; otherwise Farnsley & Johnston will send the Plan Sponsor an invoice and payment of which is generally due in full within ten business days.
- ii. Plan Sponsor and/or participants will also pay separate fees for custody, third party administrative services, and for trustee or other third party services. In addition, each mutual fund or exchange-traded fund ("ETF") in which a client may invest also bears its own investment advisory fees and other expenses. Fund transactions may also be subject to applicable commissions and/or transaction charged by the platform chosen by the Plan Sponsors.
- iii. The value of the assets will be based on information provided by the third party administrator of the plan or the plan's custodian. Farnsley & Johnston does not independently verify this information nor

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does Farnsley & Johnston guarantee the accuracy or validity of such information. The third party administrator will generally calculate the fee owed to Farnsley & Johnston and debit the applicable plan accounts.

**b. Consulting Services.**

- i. Farnsley & Johnston generally charges either an asset-based fee or a flat consulting fee at the beginning of each quarter for consulting services in advance. These rates are subject to negotiation between Farnsley & Johnston and each client. The actual fee rates paid by the client will be set forth in the client's agreement with Farnsley & Johnston. The maximum consulting fee is an annual fee rate of 2.00%. The fee is based on the value of the assets in designated accounts and will be pro-rated for any partial quarters.
- ii. The value of the assets will be based on information provided by the custodian of the assets, the client or other third party, as applicable. Farnsley & Johnston is entitled to rely on the financial and other information that the client, any custodian, or any other third party provides to Farnsley & Johnston. Farnsley & Johnston does not independently verify this information nor does Farnsley & Johnston guarantee the accuracy or validity of such information. Farnsley & Johnston will generally send the client an invoice for the Fee, which will be due within thirty days' of client's receipt of the invoice, unless the client instructs custodian to take instructions from Farnsley & Johnston to debit the fee from one of client's accounts.
- iii. The Fee covers only the consulting services provided by Farnsley & Johnston under the consulting services agreement.
- iv. In addition to the consulting fee that clients pay to LTAM, clients who chose to implement the recommendations will incur certain fees and charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers.

The fees and charges include:

- Brokerage commissions
- Transaction fees
- Exchange fees
- SEC fees
- Custodial Fees
- Deferred sales charges (on MF or annuities)
- Odd-Lot differentials
- Deferred sales charges (charged by MFs)
- Transfer taxes
- Wire transfer and electronic fund processing fees
- Commissions or mark-ups / mark-downs on security transactions

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Each mutual fund, exchange-traded fund (“ETF”) or private fund in which a client may invest also bears its own investment advisory fees and other expenses. Fund transactions are also subject to applicable commissions, transaction charges or other fees.

- v. If the client chooses to implement any portion of the recommendations through Farnsley & Johnston or an affiliate, Farnsley & Johnston and its affiliates will receive additional compensation. For example, if the client decides to implement a portion of the recommendations through an Rochdale advisory program, the client will pay program fees to Rochdale in connection with program as part of the total advisory fee that is negotiated with the Farnsley & Johnston Financial Consultant who will generally receive a portion of advisory fees for services rendered under the Rochdale program. Similarly, if the client decides to implement a portion of the recommendations through a brokerage account at Triad the client will pay commissions and fees to Triad. The fee that a client pays to Farnsley & Johnston for consulting services will not be reduced if fees are also paid to Farnsley & Johnston, Triad or its affiliates for other services. Triad may receive distribution or service (“trail”) fees from the sale of certain mutual funds (including money market funds) pursuant to a 12b-1 distribution plan or other such plan as compensation for distribution or administrative services and are distributed from the fund’s total assets. These fee arrangements will be disclosed upon request of a client and are available in the applicable fund’s prospectus.
- vi. Most Farnsley & Johnston financial consultants are also registered broker-dealer representatives of Triad. Triad may share a portion of payments received from a mutual fund or in connection with an initial public offering, a secondary offering, and/or a private placement with these Farnsley & Johnston financial consultants. If an affiliate acts as an underwriter or manager for such offerings, it will receive compensation equal to either all or a portion of “gross spread” (the difference between the price the client pays for the security and the price at which our affiliate purchased the securities). The advisory fee is not reduced to offset this compensation. The amount of the gross spread is described in the relevant prospectus, offering circular or official statement. This conflict of interest is heightened when the Farnsley & Johnston financial consultant recommends securities where an affiliated broker-dealer acts as either an underwriter or a member of the selling-group or both because the financial consultant typically receives more compensation in connection with these securities than in connection with other types of securities.
- vii. These financial consultants may also receive compensation, such as 12(b)-1 or services fees, in connection with the sale of funds, including an affiliate fund the Ladenburg Thalmann Alternative Strategies Fund. Therefore, the Farnsley & Johnston financial consultant has an incentive to recommend implementing the recommendations made through the consulting services through Triad. The Farnsley & Johnston financial consultant may also have a heightened conflict of interest when recommending, funds that pay compensation, including the Ladenburg Thalmann Alternative Strategies Fund.



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Clients have the option to purchase investment products that Farnsley & Johnston recommends through other investment advisers, brokers or agents that are not affiliated with Farnsley & Johnston. In addition, Farnsley & Johnston has policies and procedures in place to monitor whether any Farnsley & Johnston program in which client investments or any security (or other investment purchased through an affiliated broker-dealer) is suitable for the client.

**c. Non-Wrap Advisory Programs.**

- i. Farnsley & Johnston charges an asset-based advisory fee at the beginning of each quarter for advisory services in advance. These rates are subject to negotiation between Farnsley & Johnston and each client. The actual fee rates paid by the client will be set forth in the client's agreement with Farnsley & Johnston. The maximum annual advisory fee rates for Crown, Pinnacle, and Summit are:

<b>Value of Account Assets</b>	<b>Maximum Annual Advisory Fee Rate</b>
\$0 – \$2,000,000	2.00%
\$2,000,001 - \$5,000,000	1.75%
\$5,000,001 +	1.50%

- ii. The value of the assets will be based on information provided by the custodian of the assets, the client or other third party, as applicable. Farnsley & Johnston is entitled to rely on the financial and other information that the client, any custodian, or any other third party provides to Farnsley & Johnston. Farnsley & Johnston does not independently verify this information nor does Farnsley & Johnston guarantee the accuracy or validity of such information. Clients generally instruct the custodian to take instructions from LTAM to debit the fee from one of client's accounts.

The Fee covers only the advisory services provided by Farnsley & Johnston under the Crown, Pinnacle, or Summit agreements.

In addition to the advisory fee that clients pay to Farnsley & Johnston, clients will incur charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers.

The fees and charges include:

- Brokerage commissions
- Transaction fees
- Exchange fees
- SEC fees

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- Custodial Fees
- Deferred sales charges (on MF or annuities)
- Odd-Lot differentials
- Deferred sales charges (charged by MFs)
- Transfer taxes
- Wire transfer and electronic fund processing fees
- Commissions or mark-ups / mark-downs on security transactions

Each mutual fund, exchange-traded fund (“ETF”) or private fund in which a client may invest also bears its own investment advisory fees and other expenses. Fund transactions are also subject to applicable commissions, transaction charges or other fees.

- iii. If the client directs brokerage to Triad the client will pay commissions and fees to Triad-Advisors, Inc. The fee that a client pays to Farnsley & Johnston for advisory services will not be reduced if fees are paid to Triad. Triad may receive distribution or service (“trail”) fees from the sale of certain mutual funds (including money market funds) pursuant to a 12b-1 distribution plan or other such plan as compensation for distribution or administrative services and are distributed from the fund’s total assets. These fee arrangements will be disclosed upon request of a client and are available in the applicable fund’s prospectus.
- iv. Most Farnsley & Johnston financial consultants are also registered broker-dealer representatives of Triad. Triad- may share a portion of payments received from a mutual fund or in connection with an initial public offering, a secondary offering, and/or a private placement with these Farnsley & Johnston financial consultants. If an affiliate acts as an underwriter or manager for such offerings, it will receive compensation equal to either all or a portion of “gross spread” (the difference between the price the client pays for the security and the price at which our affiliate purchased the securities). The advisory fee is not reduced to offset this compensation. The amount of the gross spread is described in the relevant prospectus, offering circular or official statement. This conflict of interest is heightened when the Farnsley & Johnston financial consultant recommends securities where an affiliated broker-dealer acts as either an underwriter or a member of the selling-group or both because the financial consultant typically receives more compensation in connection with these securities than in connection with other types of securities.
- v. These financial consultants may also receive compensation, such as 12(b)-1 or services fees, in connection with the sale of funds, including the Ladenburg Thalmann Alternative Strategies Fund. Therefore, the Farnsley & Johnston financial consultant has an incentive to recommend implementing the recommendations made through the consulting services through Triad. The Farnsley & Johnston financial consultant may also have a heightened conflict of interest when recommending, funds that pay compensation, including the Ladenburg Thalmann Alternative Strategies Fund.

- vi. Thus, the Farnsley & Johnston financial consultant will generally receive more compensation if the client directs brokerage to Triad than if the client directed brokerage to an unaffiliated investment adviser or broker-dealer. Therefore, the Farnsley & Johnston financial consultant has a conflict of interest. The Farnsley & Johnston financial consultant has an incentive to recommend investment products based on the compensation received rather than on a client's needs. Clients have the option to direct brokerage to a broker-dealer that is not affiliated with Farnsley & Johnston. In addition, Farnsley & Johnston has policies and procedures in place to monitor whether any security recommended is suitable for the client.

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

In some cases, Farnsley & Johnston has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. Farnsley & Johnston will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Farnsley & Johnston shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for Farnsley & Johnston to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Farnsley & Johnston has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

#### **Item 7 – Types of Clients**

Farnsley & Johnston provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions.

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

##### **I. Plan Sponsor and Plan Participant Services.**

Farnsley & Johnston employs a regiment of quantitative and qualitative investment criteria which allows us to arrive at a universe of funds for the plan sponsors. Below are some of the criteria utilized:

## **II. Consulting Services.**

The Farnsley & Johnston financial consultant will assist client in the selection of other money managers or asset allocation programs. The financial consultant will assist in determining the client's investment objectives, selecting managers, funds or portfolios, setting restrictions or limitations on the management of the account, explaining portfolio strategies and transactions, and answering questions. The financial consultant will also evaluate the overall investment strategy and performance of any third-party money manager or asset allocation program. Factors to be considered in monitoring performance may include comparing client portfolio performance relative to certain market indices and other money managers.

## **III. Non-Wrap Program.**

Farnsley & Johnston financial consultant will perform security analysis and methods which may include charting, fundamental, technical, or cyclical. The main sources of information that the applicant may use include financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filing with the SEC and company press releases. The investment strategies used to manage accounts may include long term purchases, short term purchases, selling securities within 30 days, short sales, margin transactions, and option writing.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Farnsley & Johnston or the integrity of Farnsley & Johnston's management. Farnsley & Johnston has no information applicable to this Item.

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

### **In General.**

Aaron S. Farnsley owns 100% of Farnsley & Johnston, an affiliate of Triad Advisors, Inc. ("Triad"), a registered broker-dealer, Member FINRA/SIPC. As such, Triad may execute trades on behalf of clients who receive advisory services from Farnsley & Johnston. Triad receives compensation for these brokerage services, which it shares with Farnsley & Johnston financial consultants who are also registered broker-dealer representatives of Triad.

Triad is 100% owned by Ladenburg Thalmann Financial Services ("LTFS"), is listed on the NYSE AMEX under the symbol LTS. Dr. Phillip Frost and related entities Gamma Trust, and Nevada Trust are beneficial owners of over 25% of LTFS.

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Other companies that are owned by LTFS and thus affiliated with Farnsley & Johnston are:

Triad Advisors, Inc.	100% owned by LTFS
Ladenburg Thalmann Asset Management, Inc. (LTAM)	100% owned by LTFS
Ladenburg Thalmann & Co., Inc. (LTCO)	100% owned by LTFS
Investacorp, Inc.	100% owned by LTFS
Investacorp Advisory Services, Inc.	100% owned by LTFS
Premier Trust, Inc.	100% owned by LTFS

Certain LTAM advisory programs are also available to Farnsley & Johnston; LTAM may perform investment management, due diligence, sales support and/or other operational services for a portion of the fees paid by client. Information about the wrap fee programs is set forth in separate wrap program brochures that are available upon request.

Farnsley & Johnston financial consultants may recommend Premier Trust to provide trust and administrative services. Premier Trust provides full disclosure with respect to its trust and administrative services and related costs which are set forth in separate program brochures that is available upon request.

Farnsley & Johnston may also recommend that clients invest in securities issued in an initial public, and secondary offering (“new issues”), transactions for which LTCO acts as an underwriter and/or a member of the selling group. In addition our affiliate broker-dealer may also act as a member of the selling group for certain new issue transactions. Farnsley & Johnston has a conflict of interest in recommending these securities for several reasons. First, LTCO receives all or a portion of the gross spread – the difference between the price that the client pays for the security and the price that LTCO purchases the security for - in connection with such sales. This gross spread is generally 7%, but may be higher or lower in connection with certain offering. Farnsley & Johnston financial consultants generally receive a portion of this compensation as broker-dealer representatives of Triad.

In addition, LTCO has a substantial interest—both financial and with respect to its reputation—in assuring that the offering is successful by having a large number of the securities purchased. Finally, in connection with certain offerings, LTCO has an obligation to purchase and resell a certain number of securities. Thus, because of its affiliation with LTCO, Farnsley & Johnston has incentives to recommend these investments in these offerings for these reasons, rather than based on a client’s needs. To address these conflicts, Farnsley & Johnston and Triad has policies and procedures in place to make sure that securities in initial public offerings are recommended only to clients for whom they are suitable given the client’s investment objectives and assets. In addition, clients are generally given transaction specific disclosure prior to the client’s decision to invest in such securities.

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In addition, the following information pertains to the specific services covered in this brochure:

**Plan Sponsor and Plan Participant Services.** Farnsley & Johnston does not act as broker-dealer with respect to any Plans whose Plan Sponsors receive advisory services from Farnsley & Johnston.

Certain Plan Sponsors may receive certain advisory services from Rochdale and certain advisory services from LTAM, as set forth in a tri-party agreement among the parties which are set forth in separate program brochures that are available upon request.

**Consulting Services.**

Clients may elect to implement recommendations made through consulting services through Triad or other Rochdale, as applicable. As described in “Fees and Compensation” above, if a client implements any of the Farnsley & Johnston, Financial Consultant’s recommendations through Farnsley & Johnston, or its affiliates, the Farnsley & Johnston financial consultant generally receives a portion of the fee paid to LTAM or its affiliates, which creates a conflict of interest.

**Non-Wrap Program.**

Clients may direct brokerage to Triad- for account(s) in non-wrap program. For more information see “Fees and Compensation” above.

**Item 11 – Code of Ethics**

Farnsley & Johnston has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Farnsley & Johnston must acknowledge the terms of the Code of Ethics annually, or as amended.

Farnsley & Johnston anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which Farnsley & Johnston has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Farnsley & Johnston, its affiliates and/or clients, directly or indirectly, have a position of interest. Farnsley & Johnston’s employees and persons associated with Farnsley & Johnston are required to follow Farnsley & Johnston’s Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Farnsley & Johnston and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Farnsley & Johnston’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Farnsley & Johnston will not interfere with (i) making decisions in the best interest of

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advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Farnsley & Johnston's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Farnsley & Johnston and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Farnsley & Johnston's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Farnsley & Johnston will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Farnsley & Johnston's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Aaron Farnsley.

It is Farnsley & Johnston's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Farnsley & Johnston will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## **Item 12 – Brokerage Practices**

Assets under advisement for the Consulting Services Program are generally not aggregated by Farnsley & Johnston in connection with these services. Assets in Non-Wrap program are also not generally aggregated by Farnsley & Johnston.

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In Non-Wrap program, Farnsley & Johnston requires clients to direct brokerage to a particular broker-dealer and to designate a custodian. This broker-dealer may be Triad or a third-party broker dealer. The direction is given by the client at the outset of an advisory relationship in the Non-Wrap program agreement. As a result of the direction, client may be unable to achieve most favorable execution of account transaction. Transaction costs may be higher or lower depending on which broker-dealer the client chooses. For example, the client may pay higher brokerage commissions if it chooses a broker-dealer that other clients have not chosen because Farnsley & Johnston may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

As described in more detail in “Fees and Compensation” above, if the client directs brokerage to Triad, the client will pay commissions and fees to Triad. The fee that a client pays to Farnsley & Johnston for advisory services will not be reduced if fees are paid to LTCO. LTCO and Farnsley & Johnston financial consultants, who are registered representatives of Triad, will receive additional compensation when brokerage is directed to Triad in addition to commissions, such as compensation in connection with the sale of funds.

#### **Item 13 – Review of Accounts**

Farnsley & Johnston generally reviews the advice given to Plan Sponsors each quarter. These reviews consist of qualitative and quantitative review of each plan sponsor’s investment offerings. These reviews are performed by Farnsley & Johnston. Similarly, Farnsley & Johnston reviews the plan participant accounts in each quarter. These investment reviews are part of the ongoing Farnsley & Johnston investment review process which includes: Crown, Pinnacle, and Summit accounts.

Farnsley & Johnston reviews the consulting services quarterly. This review is performed by the Farnsley & Johnston financial consultant. Farnsley & Johnston generally provides clients receiving consulting services with a quarterly performance review of the client’s assets identified in the consulting services agreement. These reviews are often written with performance reporting and portfolio management reporting, this analyzes the risk characteristics of the client’s portfolio. Clients direct the custodian(s) of the assets to provide Farnsley & Johnston with any information necessary to provide these performance reviews. Clients may also provide information to Farnsley & Johnston themselves or direct other third parties to give information to Farnsley & Johnston. Farnsley & Johnston does not include information in a review if it does not if on a timely basis. If Farnsley & Johnston does not receive information about the original cost of a security, the market value of the security on a date set by Farnsley & Johnston may be used in lieu of original cost in certain circumstances. Farnsley & Johnston does not independently verify information provided by a custodian, client or other third party, nor does Farnsley & Johnston guarantee the accuracy or validity of such information. Farnsley & Johnston is not liable in connection with its use of any information provided by a client, a custodian, or other third-party in the quarterly performance reviews.



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Farnsley & Johnston generally reviews Non-Wrap managed accounts regularly on an individual account, security, advisor, and firm level. These reviews are triggered through the normal review of advisory business and may focus on among things: asset allocation, diversification, suitability, concentration, or performance. These reviews are conducted primarily by the supervisors of investment advisors. Each branch office is supervised by either the local branch manager or a supervisor located at a designated office of supervisory jurisdiction of Triad. Certain accounts are directly supervised by Farnsley & Johnston management.

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

Farnsley & Johnston may enter into agreements with third parties that will solicit clients for Farnsley & Johnston and receive compensation for solicitation efforts. In such instances, the third party solicitor will receive either a percentage of, or a set fee from, the fee charged to the client. If a solicitor is used in connection with a client's account, the structure and arrangement of the solicitation agreement, as well as the compensation paid to the solicitor, will be fully disclosed to the client. This disclosure will be acknowledged in writing by the client when participating in a Farnsley & Johnston program. The fee charged to a client is not affected by the use of a third-party solicitor in connection with client accounts, and a client will not be charged any additional fees for the use of such services.

**Item 15 – Custody**

Clients will receive account statements from the broker-dealer, bank or other qualified custodian holding the clients' assets. Clients should carefully review those statements. Clients who also receive account reviews from Farnsley & Johnston should compare them to the account statements they receive from the qualified custodian. The account statements received from the qualified custodian are the official statement of clients' accounts. Any account information provided by Farnsley & Johnston is for informational purposes only.

**Item 16 – Investment Discretion**

As described in "Advisory Services" above, certain Plan participants may engage Farnsley & Johnston and/or LTAM to manage their Plan assets on a discretionary basis through the Ladenburg Thalmann Discretionary – Professionally Managed program. Before LTAM assumes discretionary authority over any participant's account, the participant must sign an investment management agreement with LTAM. As set forth in the participant agreement, LTAM will buy and sell funds available through the Plan on a discretionary basis in accordance with the investment strategy selected by the Participant and any

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limitations set by the Plan Sponsor. LTAM will not have discretion to select a different investment strategy without the client's written authorization.

As described in “Advisory Services” above, Farnsley & Johnston generally manages Non-Wrap program accounts on a discretionary basis. Farnsley & Johnston receives discretionary authority from client at the outset of an advisory relationship through an investment management agreement. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Farnsley & Johnston usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Farnsley & Johnston observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Farnsley & Johnston’s authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Farnsley & Johnston in writing.

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

With respect to Plan Sponsor Services, Consulting Services and Non-Wrap program, unless Farnsley & Johnston and client otherwise agree in writing, Farnsley & Johnston is expressly precluded from taking any action or rendering any advice with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities. The client expressly retains the authority and responsibility with respect to voting proxies for the Account(s) or will delegate discretion with respect to voting such proxies to a third party. If Farnsley & Johnston receives any proxy materials that pertain to securities held in the account, Farnsley & Johnston will forward the materials to person designated by client.

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Farnsley & Johnston’s financial condition. Farnsley & Johnston has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

**Item 19 – Requirements for State-Registered Advisers**

- A. Identification of each of our principal executive officers and *management persons*, and description of their formal educations and business backgrounds.

Name: **Aaron Stephen Farnsley, CFP®, ChFC®, CLU®**

Year of Birth: 1970

Formal Education after high school:

- Florida State university, MBA in International Business, 1999
- Flagler College, BA in Business Administration, 1992

Business Background (including an identification of the specific positions held for the preceding five years):

- Farnsley & Johnston Wealth Management Consultants LLC, Managing Member and Chief Compliance Officer, 01/2011 to Present.
- Farnsley Financial Consultants, LLC, Registered Principal, 01/2002 to 01/2011
- Triad Advisors, Inc., Registered Representative, 04/2003 to Present.
- Series 7 licensed Registered Representative since 10/1993.
- Series 24 licensed Principal since 12/2000.

Name: **Jennifer Johnston, CFP®**

Year of Birth: 1969

Formal Education after high school:

- Georgia Tech University, BS in Management, 1993

Business Background (including an identification of the specific positions held for the preceding five years):

- Farnsley & Johnston Wealth Management Consultants LLC, Investment Adviser Representative, 01/2011 to Present.
- Farnsley Financial Consultants, LLC, Investment Adviser Representative, 10/2002 to 01/2011
- Triad Advisors, Inc., Registered Representative, 07/2003 to Present.

- B. Description of any business in which we are actively engaged (other than giving investment advice) and the approximate amount of time spent on that business.

Please see Item 10 of this Firm Brochure.

- C. In addition to the description of our fees in response to Item 5 of Part 2A, if our firm or a *supervised person* is compensated for advisory services with *performance-based fees*, we must explain how these fees will be calculated. Further, we must disclose specifically that performance-based compensation

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may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the *client*.

See Item 6 of this Brochure. Additionally, you are hereby advised that performance-based compensation may create an incentive for our firm to recommend an investment that may carry a higher degree of risk to you.

D. If our firm or a *management person* has been *involved* in one of the events listed below, we must disclose all material facts regarding the event.

1. An award or otherwise being *found* liable in an arbitration claim alleging damages in excess of \$2,500, *involving* any of the following:

- (a) an investment or an *investment-related* business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

We have nothing to disclose in this regard.

2. An award or otherwise being *found* liable in a civil, *self-regulatory organization*, or *administrative proceeding* involving any of the following:

- (a) an investment or an *investment-related* business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

We have nothing to disclose in this regard.

E. In addition to any relationship or arrangement described in response to Item 10.C. of Part 2A, we must describe any relationship or arrangement that our firm or any of our *management persons* have with any issuer of securities that is not listed in Item 10.C. of Part 2A.

We have nothing to disclose in this regard.