



## **Firm Brochure**

(Part 2A and 2B of Form ADV)

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This brochure provides information about the qualifications and business practices of Portfolio Design Advisors. If you have any questions about the contents of this brochure, please contact us at: (562) 596-0465, or by email at: [dbaker@selectone.us](mailto:dbaker@selectone.us). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Portfolio Design Advisors is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

February 15, 2011

## Material Changes

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### **Annual Update**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (562) 596-0465 or by email at: [DBaker@Selectone.us](mailto:DBaker@Selectone.us)

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# **Advisory Business**

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## **Firm Description**

Portfolio Design Advisors, ("PDA") was founded in 2006, when the portfolio managers of an existing asset management program, Select One, acquired the program from Associated Securities Corp.

PDA provides managed account and account supervisory services under the name "Select One" as described herein. Select One exclusively involves investment supervisory services with respect to mutual funds and exchange traded funds ("ETF's"). The program generally utilizes asset allocation strategies and does not attempt to engage in market timing or short-term trading. The program utilizes a number of pre-determined portfolio models.

PDA is strictly a fee-only investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. No commissions in any form are accepted. No finder's fees are accepted.

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## **Principal Owners**

Portfolio Design Advisors is a wholly owned subsidiary of GWM Holdings. GWM Holdings also controls Geneos Wealth Management a FINRA registered broker/dealer, member SIPC.

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## **Types of Advisory Services**

PDA exclusively provides investment supervisory services, also known as asset management services. The firm does not provide any other financial services.

As of February 15, 2011, PDA managed approximately \$135 Million in assets for approximately 401 clients. All of the client's assets are managed on a discretionary basis.

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## **Tailored Relationships**

The program utilizes asset allocation strategies and does not attempt to engage in market timing or short-term trading. The program provides a number of pre-determined portfolio models. Clients select one of the portfolio models based on risk tolerance and investment objective.

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## **Types of Agreements**

The only agreement that PDA utilizes is an Investment Management Agreement. The firm has no other client agreements.

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## **Investment Management Agreement**

All clients sign an Investment Management Agreement with PDA.

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## **Asset Management**

Assets are invested in no-load or load-waived (purchased at net asset value) mutual funds and/or exchange-traded funds ("ETF's"). All accounts are held at Pershing, LLC, which provides the brokerage services for PDA.

PDA does not receive any compensation, in any form, from fund companies directly.

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## **Termination of Agreement**

A Client may terminate the Investment Management Agreement at any time upon 30 days prior written notice to PDA. Fees will be prorated to the date of termination. If the client made an advance payment, PDA will refund any unearned portion of the advance payment.

PDA may terminate any of the aforementioned agreements at any time by notifying the client in writing.

**Fees paid in advance will be refunded in full if client cancels an agreement within five (5) business days after signing. After five (5) business days, fees are pro-rated based on the date of termination and work completed.**

## **Fees and Compensation**

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### **Description**

PDA bases its fees on a percentage of assets under management as follows:

<u>Assets under Management</u>	
\$100,000 - \$250,000-----	95 basis pts
\$250,001 - \$500,000-----	75 basis pts
\$500,001 - \$750,000-----	50 basis pts
\$750,001 - \$1,500,000-----	35 basis pts
Over \$1,500,000-----	Negotiable

Lower fees may be available for larger accounts. The minimum account size is generally \$100,000 although smaller account sizes may on occasion be accepted.

Investment Management Fees are withdrawn from the account quarterly and in arrears, pursuant to the client agreement, and concurrently with the mailing of notice to the client. The billing notice will provide the value of the account,

the amount to be deducted and the method of calculation. Fees for the first quarter are charged on a pro-rata basis.

The above fee schedule pertains **only** to fees charged by Select One and does not include fees that are charged to the client by financial advisors and/or firms who recommend Select One to the client and thus act as solicitors on behalf of Select One. PDA pays a percentage of its fees to financial advisors and firms who act as solicitors on its behalf.

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### **Fee Billing**

Investment management fees are billed quarterly, in arrears, meaning that we invoice you after the three-month billing period has ended. Fees are deducted from a designated client account to facilitate billing. Per the Investment Management Agreement, the client must consent in advance to direct debiting of their investment account.

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### **Other Fees**

PDA charges and receives no other fees.

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### **Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to PDA.

Fund companies also charge each fund shareholder an investment management fee that is disclosed in the fund prospectus.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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### **Past Due Accounts and Termination of Agreement**

PDA reserves the right to terminate any Investment Management Agreement upon written notice to the client. Any unused portion of fees collected in advance will be refunded within 30 days.

## **Types of Clients**

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### **Description**

PDA generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, corporations or business entities.



Client relationships vary in scope and length of service.

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**Account Minimums**

The minimum account size is \$100,000 of assets under management.

When an account falls below \$100,000 in value, due to market fluctuation, the account may be maintained. If the value of an account falls below \$100,000 in value due to the client's withdrawal of funds, the account will be terminated.

PDA has the discretion to waive the account minimum. Accounts of less than \$100,000 may be set up when the client and the advisor anticipate the client will add additional funds to the accounts bringing the total to \$100,000 within a reasonable time.

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**Methods of Analysis, Investment Strategies and Risk of Loss**

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**Methods of Analysis**

The firm utilizes many and varied types of research as well as commercial rating services. The research is analyzed and used as a basis for investment recommendations and portfolio allocations.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that PDA may use include Morningstar Principia mutual fund information, and the Internet.

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**Investment Strategies**

The investment strategy used for client accounts is strategic asset allocation combined with strategic timing and sector rotation.

We use several different portfolio models based on the client's financial objectives and risk tolerance. A strategy consisting of a combination of strategic and tactical asset allocation and/or sector rotation is employed in the management of all models. The program seeks to enhance long-term performance, while reducing volatility risk.

Asset allocation is the combination of several different types of investments—typically stocks, bonds and cash equivalents—among various asset classes so your investments are diversified. The objective of asset allocation is to develop an investment plan that will help investors reach their financial goals, while holding down on their risks.

Strategic Timing is designed to reduce risks in bear markets (when markets are decreasing in value). This is a trend-following strategy that involves holding total cash positions during bear markets and fully-invested positions during bull markets.

Sector rotation is employed only in the growth portfolio models, spreading the risk over several sectors in the more aggressive models. In bull markets, this technique may consist of using the stronger industrial sectors or surrogates for various market indexes ("bull" funds). In bear markets, it may consist of employing "bear" funds that are structured to rise in price when the market indexes decline in price. Also, when our management team believes market conditions call for the use of leverage, we may employ leveraged bull or bear funds that are more volatile than the market indexes.

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### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from

a steady stream of customers who buy electricity no matter what the economic environment is like.

- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## **Other Financial Industry Activities and Affiliations**

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### **Financial Industry Activities**

PDA is registered as an SEC registered investment adviser only and does not engage in any other activities that are not described in this brochure.

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### **Affiliations**

PDA is a wholly owned subsidiary of GWM Holdings. GWM Holdings also owns Geneos Wealth Management ("Geneos"), which is a FINRA registered broker/dealer, member SIPC.

Douglas W. Baker, president of PDA, is also president of Meridian Capital Management, Inc., an SEC Registered Investment Adviser. In this capacity, he is actively engaged in financial planning, investment management and investment supervisory activities for clients who are not clients of PDA. He receives fees and occasionally commissions for these activities.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

The employees of PDA have committed to a Code of Ethics that is summarized below. The complete Code of Ethics is available for review by

clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

Our Code of Ethics is based on the Principles of the CFP Board of Standards:

**Principle 1 - Integrity**

Portfolio Design Advisors shall offer and provide professional services with integrity.

**Principle 2 - Objectivity**

Portfolio Design Advisors shall be objective in providing professional services to clients.

**Principle 3 - Competence**

Portfolio Design Advisors shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which the CFP Board designee is engaged.

**Principle 4 - Fairness**

Portfolio Design Advisors shall perform professional services in a manner that is fair and reasonable to clients, principals, partners and employers, and shall disclose conflict(s) of interest in providing such services.

**Principle 5 - Confidentiality**

Portfolio Design Advisors shall not disclose any confidential client information without the specific consent of the client unless in response to proper legal process, to defend against charges of wrongdoing by Mason or its Advisory Affiliates or in connection with a civil dispute between the Mason or its Advisory Affiliates and client.

**Principle 6 - Professionalism**

The conduct of Portfolio Design Advisors in all matters shall reflect credit upon the profession.

**Principle 7 - Diligence**

Portfolio Design Advisors shall act diligently in providing professional services.

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**Participation or Interest in Client Transactions**

PDA and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the PDA Policies and Procedures Manual.

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**Personal Trading**

Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

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**Brokerage Practices**

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**Selecting Brokerage Firms**

PDA executes all of its transactions through Pershing LLC. Clients do not have the option to direct brokerage to other firms. Any costs associated with the execution of transactions are absorbed by PDA.

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**Best Execution**

Since all of the transactions executed by Pershing on behalf of PDA are mutual fund transactions, which are executed at the end of the day, best execution is not a serious concern.

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**Soft Dollars**

PDA receives no soft dollars.

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**Order Aggregation**

All trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

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**Review of Accounts**

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**Periodic Reviews**

Account reviews and model reviews are performed at least quarterly by the portfolio managers. The frequency of the review may be different for different clients, depending on the investment model that the client selected.

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**Review Triggers**

Triggering factors for review include: market conditions, news releases from one of the mutual funds in which the client is invested, the need to rebalance the client's account, or a request from the client.

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**Regular Reports**

Clients receive Quarterly Reports from PDA. In addition to PDA's reports, they also receive brokerage statements and confirmations from Pershing LLC.

# **Client Referrals and Other Compensation**

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## **Incoming Referrals**

PDA receives referrals from and compensates other registered investment advisers and brokerage firms for client referrals. When this happens, these firms and their affiliates act as solicitors for PDA. PDA executes solicitors agreements with these firms. All solicitors agreements are in compliance with the Investment Advisors Act of 1940 Section 275.206(4)-3. In addition, all applicable federal and state laws will be observed. All clients referred by solicitors will be given full written disclosures describing the terms and fee arrangements between the advisor and the solicitor prior to or at the time of entering into an Investment Management Agreement with PDA.

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## **Referrals Out**

PDA does not accept referral fees or any other form of remuneration from other professionals when we refer a prospect or client to other professionals.

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## **Other Compensation**

PDA receives no other compensation besides client fees.

# **Custody**

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## **Account Statements**

All assets are held at Pershing LLC which acts as custodian for our clients. This means that Pershing provides account statements directly to clients at their address of record at least quarterly.

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## **Performance Reports**

Clients are urged to compare the account statements received directly from Pershing to the performance report statements provided by PDA.

# **Investment Discretion**

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## **Discretionary Authority for Trading**

PDA requires discretionary authority to manage securities accounts on behalf of clients. PDA has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

Discretionary trading authority facilitates placing trades in your accounts on your behalf.

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### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved. The limited power of attorney is contained in the Investment Management Agreement.

## **Voting Client Securities**

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### **Proxy Votes**

PDA does not vote proxies on securities. Clients are expected to vote their own proxies or designate someone of their own choice who is not affiliated with PDA to do so.

## **Financial Information**

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### **Financial Condition**

PDA does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A balance sheet is not required to be provided because PDA does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## **Business Continuity Plan**

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### **General**

PDA has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

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### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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**Loss of Key Personnel**

PDA's portfolio managers are all able to substitute for each other in case one of them becomes incapacitated.

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**Information Security Program**

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**Information Security**

PDA maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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**Privacy Notice**

PDA is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.



## Brochure Supplement (Part 2B of Form ADV)

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### Education and Business Standards

PDA requires that advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning and tax planning. Examples of acceptable coursework include: an MBA, or a CFP®. Additionally, advisors must have work experience that demonstrates their aptitude for financial planning and investment management.

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### Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planner (CFP): Certified Financial Planners are licensed by the CFP Board to use the CFP mark. CFP certification requirements:

- Bachelor's degree from an accredited college or university.
  - Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
  - Successful completion of the 10-hour CFP® Certification Exam.
  - Three-year qualifying full-time work experience.
  - Successfully pass the Candidate Fitness Standards and background check.
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### Douglas W. Baker, CFP®

#### Educational Background:

- Date of birth: 1949
- University of California at Los Angeles, CA - Credential in Accounting, 1975
- University of Southern California / College of Financial Planning, Denver, CO, CFP® Designation, 1985

#### Business Experience:

- Portfolio Design Advisers, Seal Beach, CA  
President, 2006 to present
- Meridian Capital Management, Inc., Seal Beach, CA  
President, 1998 to present
- Geneos Wealth Management, Inc., Denver CO

Registered Principal, 2006-Present

Other Business Activities:

- President, Meridian Capital Management
- Registered Principal, Geneos Wealth Management, Inc.

Additional Compensation:

Doug Baker receives additional compensation from his other business activities, as President of Meridian Capital Management and Principal of Geneos Wealth Management.

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**Brad Underwood, MBA**

Educational Background:

- Date of birth: 1981
- University of Denver - BSBA 2003
- Denver University, Daniels College of Business - MBA 2007

Business Experience:

- Portfolio Design Advisors, Seal Beach, CA  
Portfolio Manager, 2009 - present
- Geneos Wealth Management, Inc., Denver, CO  
Due Diligence Specialist, 2008-present
- By Design Inc., Denver CO  
Vice President of Operations, 2005-2009

Other Business Activities:

- Due Diligence Specialist for Geneos Wealth Management, Inc.

Additional Compensation:

Brad Underwood receives additional compensation for his work as Due Diligence Specialist with Geneos Wealth Management, Inc.

Supervision:

Brad Underwood is supervised by Doug Baker, President. He reviews Brad Underwood's work through occasional office interactions as well as remote interactions. He also reviews Brad Underwood's activities through our client relationship management system.

Doug Baker may be contacted by phone at (562) 596-0465 or via email at [DBaker@Selectone.US](mailto:DBaker@Selectone.US)

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**Philip S. Kelley, CFP®****Educational Background:**

- Date of birth: 1930
- University of Tennessee Memphis, North Carolina State, Newbern, North Carolina
- College for Financial Planning, Denver, Colorado, CFP® Designation, 1987

**Business Experience:**

- Portfolio Design Advisers, Los Alamitos, CA - Portfolio Strategist
- Associated Planners Investment Advisory, Inc., Los Angeles, CA - Advisory Affiliate, 1993 to 2006
- Associated Securities Corp., Los Angeles, CA - Registered Principal, 1982 to 2006

Other Business Activities: None

Additional Compensation: None

**Supervision:**

Phil Kelley is supervised by Doug Baker, President. He reviews Phil Kelley's work through frequent office interactions as well as remote interactions. He also reviews Phil Kelley's activities through our client relationship management system.

Doug Baker may be contacted by phone at (562) 596-0465 or via email at [DBaker@Selectone.US](mailto:DBaker@Selectone.US)