

**ITEM 1: Cover Page for  
PART 2B OF FORM ADV:  
BROCHURE SUPPLEMENT  
DATED 05/17/2011**

**PAUL J. LAUGHTON**

**DIVERSIFIED CAPITAL GROUP  
1112 EAST GRAND AVENUE  
ARROYO GRANDE, CALIFORNIA 93420  
805-489-6700**

**This brochure supplement provides information about Mr. Laughton that supplements our brochure. You should have received a copy of that brochure. Please contact Mr. Laughton if you did not receive Diversified Capital Group's brochure or if you have any questions about the contents of this supplement.**

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

## Item 2 - Educational Background and Business Experience

**Paul J. Laughton**

Born 1964

### **Educational and Licensing Background:**

1990 Graduated California State University, Fresno Bachelor of Science, Finance

1996 Registered Investment Adviser Series 65 License

1996 California Life Insurance License (LIC. # 0801343)

2011 California Real Estate Broker License (DRE # 01892005)

### **Business Experience:**

09/2007 – Present: Diversified Capital Group, Managing Principal, Chief Compliance Officer, Investment Adviser Representative

03/2002 – 09/2007: RBC Dain Rauscher, Registered Representative

01/2001 – 03/2002: Sutro & Company, Registered Representative

12/1998 – 01/2001: Wells Fargo Securities, Registered Representative

04/1996 – 12/1998: Smith Barney, Registered Representative

## Item 3 - Disciplinary Information

If there are legal or disciplinary events material to your evaluation of Mr. Laughton, we are required to disclose all material facts regarding those events.<sup>1</sup>

We have nothing to disclose in this regard.

## Item 4 - Other Business Activities

A. If Mr. Laughton is actively engaged in any investment-related business or occupation, including if he is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”), commodity trading advisor (“CTA”), or an associated person of an FCM, CPO, or CTA, we are required to disclose this fact and describe the business relationship, if any, between the advisory business and the other business.

1. If a relationship between the advisory business and Mr. Laughton’s other financial industry activities creates a material conflict of interest with you, we are required to describe the nature of the conflict and generally how we address it.

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<sup>1</sup> **Note:** Our firm may, under certain circumstances, rebut the presumption that a disciplinary event is material. If an event is immaterial, we are not required to disclose it. When we review a legal or disciplinary event involving Mr. Laughton to determine whether it is appropriate to rebut the presumption of materiality, we consider all of the following factors: (1) the proximity of Mr. Laughton to the advisory function; (2) the nature of the infraction that led to the disciplinary event; (3) the severity of the disciplinary sanction; and (4) the time elapsed since the date of the disciplinary event. If we conclude that the materiality presumption has been overcome, we prepare and maintain a file memorandum of our determination in our records. We follow SEC rule 204-2(a)(14)(iii) and similar state rules.

As a licensed insurance agent, Mr. Laughton in his individual capacity may recommend to advisory clients a variety of commissionable insurance products for which they may receive compensation.

Mr. Laughton is also a licensed Real Estate Broker and actively participates in real estate sales, investment and development; Mr. Laughton and/or entities he controls may occasionally solicit/offer clients the opportunity to evaluate, and if clients desire, participate/invest in said real estate investments; participation in real estate investments is considered an alternative investment. As such, any client interested in participating in alternative investments must first sign an alternative investment disclosure statement. This represents a conflict of interest. To mitigate any potential conflict we always put the interests of the clients before that of our advisory representatives.

2. If Mr. Laughton receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service (“trail”) fees from the sale of mutual funds, we have to disclose this fact. If this compensation is not cash, we are required to explain what type of compensation he receives. We must explain that this practice gives him an incentive to recommend investment products based on the compensation received, rather than on your needs.

We have nothing to disclose in this regard.

- B. If Mr. Laughton is actively engaged in any business or occupation for compensation not discussed in response to Item 4.A, above, and the other business activity or activities provide a substantial source of his income or involve a substantial amount of his time, we are required to disclose this fact and must describe the nature of that business. If the other business activities represent less than 10 percent of his time and income, we may presume that they are not substantial.

We have nothing to disclose in this regard.

### **Item 5 - Additional Compensation**

If someone who is not a *client* provides an economic benefit to s for providing advisory services, we are required to generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include his regular salary. Any bonus that is based, at least in part, on the number or amount of sales, *client* referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.

We have nothing to disclose in this regard.

### **Item 6 - Supervision**

We are required to explain how we *supervise* s, including how we monitor the advice he provides to *you*. Our firm has to provide the name, title and telephone number of the *person* responsible for supervising his advisory activities on behalf of our firm.

Mr. Laughton is the sole principal and Chief Compliance Officer and as such has no internal supervision placed over him. He is however bound by our firm's Code of Ethics.

### **Item 7 Requirements for State-Registered Advisers**

A. In addition to the events listed in Item 3 of Part 2B, if Mr. Laughton has been *involved* in one of the events listed below, we 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.

B. If Mr. Laughton has been the subject of a bankruptcy petition, we must disclose that fact, the date the petition was first brought, and the current status.

We have nothing to disclose in this regard.