

**Item 1 - Cover Page**

**Financial Designs Corporation**

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**January 10, 2017**

**FORM ADV PART 2A  
BROCHURE**

This brochure provides information about the qualifications and business practices of Financial Designs Corporation. If you have any questions about the contents of this brochure, please contact us at (909) 626-1642 or fdc@fdcadvisors.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.

Additional information about Financial Designs Corporation is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Financial Designs Corporation is 14829.

Financial Designs Corporation is a Registered Investment Advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2 - Material Changes**

Form ADV Part 2 requires registered investment advisors to amend their brochure when information becomes materially inaccurate. If there are any material changes to an advisor's disclosure brochure, the advisor is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated February 19, 2015 there are no material changes to report.

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## Item 4 - Advisory Business

### Description of Services and Fees

Financial Designs Corporation ("FDC") is a registered investment advisor based in Claremont, California. We are organized as a corporation under the laws of the State of California. We have been providing investment advisory services since 1981. FDC Holdings Corporation is the principal owner. The 2008 Pavan Family Trust is the sole shareholder of FDC Holdings Corporation. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Financial Planning Services**
- **Portfolio Management Services/Wrap Fee Program**
- **Asset Allocation Service**

FDC is a fee-only independent financial advisor that provides wealth management services by incorporating financial planning, investment portfolio management and other aggregated financial services specializing in retirement planning. FDC utilizes an active management approach to investments and encourages clients to take as much of an active role as they desire.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Financial Designs Corporation (FDC) and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Financial Planning Services

We offer broad-based financial planning services. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. We may also use financial planning software to determine your current financial position and to define and quantify your long-term goals and objectives. After specifying long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. Once we review and analyze the information you provide to our firm and the data derived from our financial planning software, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

### **Portfolio Management Services/Wrap Fee Program**

We offer discretionary portfolio management services through the Financial Designs Wrap Fee Program. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. We may also invest your assets using a predefined strategy, or we may invest your assets according to one or more model portfolios developed by our firm. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

We are the portfolio manager and sponsor of the Financial Designs Wrap Fee Program. Our portfolio management services are offered through the Program for a single fee that includes administrative fees, portfolio management fees, and commissions. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

In determining whether to establish a *Financial Designs Wrap Fee Program* account, a client should be aware that the overall cost to the client of the Program may be higher or lower than the client might incur by purchasing separately the types of securities available in the Program. In order to compare the cost of the Program with unbundled services, the client should consider the turnover rate in our investment strategies, trading activity in the account and standard advisory fees and brokerage commissions that would be charged at Schwab or at other broker-dealers and investment advisors.

Depending upon the Program's annual percentage fee charged by our firm (see fee schedule below), the amount of portfolio activity in your account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and/or if we were to negotiate transaction fees and seek best price and execution of transactions for your individual account.

Transactions for your account must be executed by Charles Schwab and Co., Inc., ("Schwab") a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and the brokerage commissions charged by Schwab or other broker-dealers, and the advisory fees charged by investment advisors. For more information concerning the Wrap Fee Program, please see *Appendix 1* to this Brochure.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a limited power of attorney, or trading authorization forms. You may limit our discretionary authority (for example,

limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

### **Asset Allocation Services**

We offer discretionary or non-discretionary asset allocation services for participants of employer qualified plan investments (i.e. 401k, 457, 403b, etc. plans). For certain qualified plan participant accounts where the custodian is Charles Schwab & Co., Inc. we offer discretionary asset allocation services.

Once you have retained our firm for asset allocation services, we will gather information about your financial situation and objectives, and assist you in determining your investment goals, objectives, risk tolerance, and retirement plan time horizon. We will initially provide you with recommendations as to how to allocate your investments among categories of assets. We will then review your account on an ongoing basis. Where appropriate, we may provide you with recommendations to change your asset allocation in an effort to remain consistent with your stated financial objectives. You are free at all times to accept or reject any of our investment recommendations. You are solely responsible for implementing our recommendations. Unless you separately retain our services, we will not execute any transactions or changes in asset allocation on your behalf.

### **Types of Investments**

We offer advice on equity securities, exchange traded funds (ETFs), corporate debt securities, certificates of deposit, municipal securities, investment company securities, US Government securities, and interest in partnerships investing in real estate, oil and gas interest.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Wrap Fee Program**

Our investment or portfolio management services are offered solely through the Financial Designs Wrap Fee Program. We do not offer portfolio management services outside of the program or in a non-wrap capacity. Therefore, there are no differences in the portfolio management of client accounts. A portion of the wrap fee charged to clients is paid to Schwab for transaction costs.

### **Assets under Management**

As of 12/31/2015, we manage \$230,545,700 in client assets on a discretionary basis and \$71,536,692 on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

### **Financial Planning Services**

This service is provided to new clients who subscribe for the service by signing an Investment Advisory Agreement ("Agreement"). The fee schedule is \$600 per hour. The fee for the initial Plan will be specified by estimating the amount of time the Plan will take to prepare. Half of the fee is payable upon signing the Agreement and the balance is payable upon delivery of the

written plan. A typical plan will take 5 hours and result in a total fee of \$3,000. The fee may be waived by FDC. If the financial planning client decides to use our investment advisory services, the fee paid for the financial plan will be credited towards the investment advisory fees until it is consumed.

We do not require prepayment of a fee more than six months in advance and in excess of \$1,200.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement.

#### **Portfolio Management Services/Wrap Fee Program**

Our fee for portfolio management services through the *Financial Designs Wrap Fee Program* is based on a percentage of your assets we manage and is set forth in the following tiered fee schedule:

<b>Market Value</b>	<b>Maximum Annual Fee as % of Portfolio</b>
<b>\$ 0 - \$ 500,000</b>	<b>1.50%</b>
<b>\$ 500,000 - \$ 1,000,000</b>	<b>1.35%</b>
<b>\$ 1,000,000 - \$ 2,000,000</b>	<b>1.20%</b>
<b>\$ 2,000,000 - \$ 5,000,000</b>	<b>1.00%</b>
<b>\$ 5,000,000 - \$ 10,000,000</b>	<b>0.75%</b>

At our discretion, we may combine the account values of family members living in the same household to meet the account minimum of \$500,000. Older client relationships may be subject to a different fee schedule and account minimum.

Our annual portfolio management fee for portfolio management services is billed and payable quarterly in arrears based on the value of your account during last day of the quarter.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

Except for 401(k) and similar accounts which will be invoiced, we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

You may terminate the portfolio management agreement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client.

We encourage you to review the statement(s) you receive from your account custodian. If you

find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian please call our main office number located on the cover page of this brochure.

### **Asset Allocation Services**

Our fee for non-discretionary asset allocation services is based on the market value of the assets under asset allocation. Every year thereafter, at the end of calendar quarter preceding the anniversary date of the Asset Allocation Agreement, the assets under management are revalued and the fee for the next four (4) calendar quarters will be recalculated based on the value of the assets under management on that date. The fee is payable quarterly and is determined as follows:

<b><u>Market Value</u></b>	<b><u>Annual Fee</u></b>
<b>\$100,000 +</b>	<b>1.00%</b>

Our fee for discretionary asset allocation services is based on a percentage of your assets we manage and is set forth in the following tiered fee schedule:

<b>Market Value</b>	<b>Maximum Annual Fee as % of Portfolio</b>
<b>\$ 0 - \$ 500,000</b>	<b>1.50%</b>
<b>\$ 500,000 - \$ 1,000,000</b>	<b>1.35%</b>
<b>\$ 1,000,000 - \$ 2,000,000</b>	<b>1.20%</b>
<b>\$ 2,000,000 - \$ 5,000,000</b>	<b>1.00%</b>
<b>\$ 5,000,000 - \$ 10,000,000</b>	<b>0.75%</b>

A discretionary or non-discretionary Asset Allocation Agreement is required. If the Agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

Upon termination of the Agreement you will assume responsibility for exchanging into the fund or funds of your choice. The asset allocation fee will be prorated for the quarter in which the termination notice is given, which means that you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.



### **Compensation for the Sale of Other Investment Products**

Associated Persons who provide investment advice on behalf of our firm may also be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

### **Item 7 - Types of Clients**

We offer investment advisory services to individuals, trusts, estates, charitable organizations, corporations, pensions, profit sharing plans and other business entities.

In general, we require a minimum of \$500,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

#### **Our Methods of Analysis and Investment Strategies**

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you.

- Charting Analysis - involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis - involves studying past price patterns and trends in the financial

markets to predict the direction of both the overall market and specific stocks.

- Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends.
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Client assets are advised using charting, fundamental, technical and cyclical analysis. Some of the risks in using these methods of analysis are listed below:

Charting and Technical Analysis - The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Fundamental Analysis - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Cyclical Analysis - Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary

consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Our firm uses the FIFO accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we recommend several types of securities. However, we primarily recommend mutual funds and exchange traded funds (ETFs). Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Mutual funds and ETFs are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of the fund, other types of mutual funds do charge such fees which can also reduce returns.

## **Item 9 - Disciplinary Information**

Financial Designs Corporation has been registered and providing investment advisory services since 1981. Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

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

### **Arrangements with Affiliated Entities**

FDC provides income tax preparation services to clients as a convenience. You are advised that fees for income tax services are separate and distinct from the fees we charge for investment advisory services provided. If you require tax preparation services, we will recommend that you use our services.

Nino G. Pavan, President of FDC, is also an attorney at law specializing in estate planning. Our advisory services are separate and distinct from the compensation paid to Mr. Pavan for his legal services.

While we believe that compensation charged by our affiliates are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use our affiliates' services and may obtain comparable services and/or lower fees through other firms.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, the Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items. All supervised persons at Financial Designs Corp. must acknowledge the terms of the Code of Ethics annually, or as amended.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at (909) 626-1642 or [fdc@fdcadvisors.com](mailto:fdc@fdcadvisors.com).

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## Item 12 - Brokerage Practices

We recommend the brokerage and custodial services of Charles Schwab & Co., Inc. ("Schwab"), a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We believe that Schwab provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by Schwab, including the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of the services Schwab provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### Research and Other Soft Dollar Benefits

For our clients' accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account.

Schwab also makes available to our firm other products and services that benefit our firm but may not benefit its clients' accounts. These benefits may include national, regional or specific to our firm, educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of our firm by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Also, there are other products and services which assist us in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations 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 firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our firm's accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to our firm other services intended to help us manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. While, as a fiduciary, we endeavor to act in our clients' best interests, our firm's recommendation / requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to us of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

As a result of receiving the aforementioned products and services for no cost, we may have an incentive to continue to place client trades through broker-dealers that offer such products and services. This motivation conflicts with the clients' interest of obtaining the lowest commission

rate available. Therefore, we must determine in good faith, based on the "best execution" policy stated above that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

We routinely recommend that you direct our firm to execute transactions through Charles Schwab & Co., Inc. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisors require their clients to direct brokerage to a specific securities firm or brokerage platform.

### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

## **Item 13 - Review of Accounts**

Nino G. Pavan, President of FDC and Vaughn Heydel, Vice President will monitor your accounts on a continuous basis and will offer a formal review no less than annually. The review ensures the advisory services provided to you and the portfolio mix is consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

We will not provide you with additional or regular written reports in conjunction with account reviews. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

Financial planning accounts and financial plans are reviewed upon request of the client. During the review the following information is updated: financial statements, income, goals, risk tolerance and time horizon. The review consists of determining for each investment in the portfolio the performance, present appropriateness, current risk relative to the overall portfolio



and whether each investment should be kept or transferred to a different investment.

#### **Item 14 - Client Referrals and Other Compensation**

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

As disclosed under the "Fees and Compensation" section in this Brochure, Associated Persons providing investment advice on behalf of our firm are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

We have entered into contractual arrangements with one or more of our employees under which the employee(s) will receive compensation from FDC for the establishment of new client relationships. Employees who refer clients to our firm must comply with the requirements of the jurisdictions where they operate. The compensation to the employee is equal to a percentage of the advisory fee collected from you for as long as you are a client with our firm, or until such time as our agreement with the employee expires. Other employee compensation for client referrals may entail a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not be charged additional fees based on this compensation arrangement. Incentive based compensation paid to employees is contingent upon you entering into an advisory agreement with our firm. Therefore, these employees have a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

We have entered into a Client Benefit agreement with Charles Schwab & Co., Inc. ("Schwab") through its Advisor Services division. Under the provisions of the agreement, Schwab has discounted the fee on certain software solutions used by our firm. These discounts will be credited to our invoices received from Schwab.

We strive to maintain objectivity and independence in providing services to clients and consistent with our fiduciary duty. However, in some circumstances, we and/or our Associated Persons may receive economic benefits from a non-client, including money managers and financial product providers. These benefits may include, but are not limited to, support for marketing programs such as seminars and conferences. While the receipt of certain benefits may assist us in providing services to clients, the receipt of additional compensation may also create a conflict of interest for our firm and/or our Associated Persons. We utilize these third parties based on an overall qualitative analysis of the third party and not solely because of economic benefits we may receive.

#### **Item 15 - Custody**

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or

securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us at the phone number on the cover of this brochure.

### **Item 16 - Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a limited power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

### **Item 17 - Voting Client Securities**

#### **Proxy Voting**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

### **Item 18 - Financial Information**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.



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

Financial Designs Corporation is an SEC-Registered Adviser; hence this requirement is not applicable.

### **Miscellaneous**

#### **Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact us at (909) 626-1642 or [fdc@fdcadvisors.com](mailto:fdc@fdcadvisors.com), if you have any questions regarding this policy.

#### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

#### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit. Moreover, we do not determine whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf.