

Firm Brochure
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Sonora Investment Management. If you have any questions about the contents of this brochure, please contact us at: 520-624-4554, or by email at: sonora@invmgmt.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 Sonora Investment Management is available on the SEC's website at www.adviserinfo.sec.gov

March 26, 2014

Material Changes

The U.S. Securities and Exchange Commission (SEC) issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. This brochure is prepared according to the SEC’s new requirements and rules. For over 25 years Sonora Investment Management has communicated with our clients and prospective clients in plain English.

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 520-624-4554 or by email at: sonora@invmgmt.com.

There have been no material changes since the last filing.

We may also provide updates about material changes during the year depending on the nature of the change.

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Advisory Business

Sonora Investment Management, LLC (Sonora) is a SEC-registered investment advisory firm, founded in 1986 by Hugh B. Toland, Jr. and Douglas R. Rogers. Timothy D. Wilcox joined our firm in November of 2003 and is now the firm's third equal owner.

Sonora provides investment management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. We manage accounts on a fully discretionary basis. Our clients all share the similar objective of achieving consistent investment returns with minimal portfolio risk. We believe our approach to investing is suitable for people seeking income and growth of principal as objectives. The investment process begins only after the risks involved in our approach have been fully explained and agreed upon.

Our firm is strictly a fee-only investment management firm. We do not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. No commissions in any form are accepted.

In addition, Sonora does not act as a custodian of client assets. Assets are held by third-party custodians, such as Charles Schwab or Fidelity Management. Sonora is allowed to transact for clients through the custodian under a limited Power-of-Attorney.

The advisory services we offer generally fall into three categories: financial analysis, asset allocation, and portfolio monitoring. Making the assumption there are only two types of investors, long-term investors and speculators, we concern ourselves primarily with long-term investing. As such, we do not normally purchase options, commodities, futures contracts or other securities we deem speculative. We feel, however, there is a place for smaller, growth stocks deemed more speculative—generally not to exceed 10 percent of the assets we manage for a client.

Our expertise is active fixed income and equity management. Convertible corporate bonds and convertible preferred stocks are the primary fixed income securities we invest in. Other fixed income securities might include master limited partnerships, preferred stocks, and real estate investment trusts. Equity securities we purchase are primarily common stocks. All investments we purchase are registered securities that normally can be bought or sold daily.

Fees and Compensation

Sonora bases its fee on a percentage of assets under management.

The fee we charge for our services is specified in our Advisory Service Agreement with each client. It is based on a percentage of the investable assets according to the following schedule:

1.00%	on the first	\$1,000,000
0.80%	on the next	\$1,000,000
0.50%	on the next	\$2,000,000
0.30%	above	\$4,000,000.

Fees generally are non-negotiable. Current client relationships may exist where our fee is lower than the fee schedule above.

All investment management fees are billed quarterly, in advance, meaning that we invoice before the three-month billing period has ended. Additionally Schwab Advisor Network referrals are billed in arrears from date of inception. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate collection. The client must consent in advance to direct fee-withdrawal from their investment account.

Although the Advisory Service Agreement is an ongoing agreement, we or the client may terminate our Agreement by written notice to the other party. Upon termination of any account, unearned fees will be promptly refunded. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation.

Sonora's fee is exclusive of brokerage commissions, transaction fees, and other related costs the custodian may charge the client. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in the fund's prospectus. These fees also are exclusive of the fee paid to Sonora.

Performance-Based Fees

Sonora does not use a performance-based fee structure because of the potential conflict of interest. This conflict is that performance-based compensation may cause an adviser to assume more risk than is suitable for the client.

Types of Clients

Sonora generally provides portfolio management to individuals. We also provide our services to pension and profit sharing plans, trusts, estates, or charitable organizations and corporations.

Sonora has a minimum account size for third-party referred accounts of \$500,000.00. However, most new non-referred accounts are usually in excess of \$250,000. We reserve the right to refuse to accept proposed management responsibilities or to resign from the management of any individual agreement we have.

Methods of Analysis, Investment Strategies, & Risk of Loss

Security analysis methods include charting, fundamental analysis, technical analysis, and cyclical analysis. Doug Rogers, Brad Toland, Tim Wilcox and Mike Arko all analyze companies—it is a team approach. We must all agree before a prospective investment is included to our buy list.

We look for companies to own with the following characteristics:

- Catalysts to drive the company's growth for the next few years
- Businesses with competitive/leadership position
- Good financial returns
- Prudent debt levels

We research companies in-house. Our primary source of information is from the companies themselves: annual and quarterly reports, SEC filings, and conversations with management. In general, we focus on companies and industries most likely to benefit from the economic, social, and demographic trends dominant or emerging in our society. Individual stock selection is usually in mid-to-large size companies. Other sources of information include various financial publications, research materials prepared by others, and corporate rating services like Value Line.

Companies do not increase in value overnight. It normally takes years for a company's strategy to evolve. For this reason we look at the long-term potential and viability of a company, while ignoring short-term price volatility. We would prefer to own an investment in perpetuity. However, we will sell a holding when we feel the company is overvalued, when the underlying reasons for owning it have changed, if better opportunities come along, or when the position size becomes too large as a percentage of one's overall portfolio. We limit individual positions to approximately 5% upon purchase

and 1% to 2% for more speculative positions. We will allow positions to appreciate well in excess of 5%.

One benefit of investing directly in individual stocks and bonds is that you control when or whether to sell stocks and realize capital gains. In addition, matching gains with losses allows us to better control tax liabilities. Over time, deferring capital gains can add significantly to a portfolio's value. We are mindful of this.

Sonora invests in companies where we feel we can achieve a total rate of return of 8% to 12% annually over time. This is our goal, but there is no guarantee that we will achieve it. Our approach to attaining this rate of return is by investing in a combination of growth stocks, convertible securities, and other high yielding securities. We manage every account individually and no two accounts look exactly the same. Variants, such as when the account was set up and the prices of securities in our universe, determine the account makeup at any point in time. We own, however, only a combination of securities in our universe for all clients.

A convertible security is a bond or preferred stock which can be exchanged for another security, normally the common stock of the issuing company. The conversion privilege usually lasts for the life of the bond or preferred stock. At the option of the convertible holder, the security may be exchanged for a fixed number of shares of common stock. Also important, most convertible bonds have a put feature allowing the holder to exchange the bond for cash, normally \$1000 or par, at set intervals during the life of the bond. These features—convertibility and putability—reduce the long-term interest rate risk when compared to regular bonds.

A selected portfolio of 10 issues or more can be expected to yield 8 to 12 percent, annually, over the long term (5 years or more), according to a Value Line study conducted from 1972 through 1996. (Note: past performance is not a guarantee of future results.)

Two important caveats with regard to the purchase of convertibles are: 1) convertible securities must be carefully selected and monitored and, 2) a portfolio of convertibles requires much more diversification than a portfolio of government or high-grade corporate bonds.

It is our contention that a portfolio of convertible securities can provide a total return over a full market cycle comparable to the return provided by equities, but with less volatility and higher current income. Not only have their absolute returns been higher than that of their underlying stock returns, their risk adjusted returns have been substantially higher than equity valuation models such as the Capital Asset Pricing Model (CAPM) would imply. The unique convertible structure offers much of the best of both the fixed income and equity worlds, although it is often overlooked by investors. In examining the returns generated by a broad convertible index, the Bank of America Merrill Lynch All Convertible Index (VXA0) has outperformed the S&P 500 for

the 1, 3, 5 and 10 year periods ending 12/31/2009 with lower volatility. While past performance is no guarantee of future results, we believe that convertibles merit consideration as an appropriate asset class for many investors.*

*(Data Source: Bank of America Merrill Lynch, DCM Study of Convertible Performance and Volatility)

Returns Index	BAML All Convertible Index (VXAO)		S & P 500 Index		Underlying Stocks of VXAO	
To 12/31/09	Annual Returns	Standard Deviation	Annual Returns	Standard Deviation	Annual Returns	Standard Deviation
—						
1 Year	49.12%	12.12%	26.44%	22.28%	60.58%	31.95%
3 Year	0.05%	18.57%	-5.63%	19.91%	-7.54%	30.92%
5 Year	2.68%	14.88%	0.41%	16.04%	-1.13%	24.90%
10 Year	2.26%	14.24%	-0.95%	16.13%	-2.71%	26.34%

(Data Source: Bank of America Merrill Lynch, DCM Study of Convertible Performance and Volatility)

Prospective clients also need to understand the potential volatility associated with a portfolio common stocks and convertible securities before investing. Two of the worst declines in the history of the Standard and Poor's 500 Index occurred between February 2000 through September 2002 and May 2008 through February 2009. The S & P 500 fell approximately 40% and 47%, respectively, during those two periods. The BAML All Convertible Index declined 33% and 37%, respectively, during the same time frames. This type of volatility, while rare, can occur and the client needs to be mentally prepared for it to occur in the future. In our view, declines like these present major buying opportunities when they do occur.

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. During the period between October of 2008 and March of 2009 the convertible bond market became very illiquid as a result of the financial banking crisis.
- **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

We are proud to say 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

Sonora only receives compensation directly from our clients. We receive no compensation from outside sources.

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

The employees of Sonora have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, and personal securities trading. All supervised persons must acknowledge the terms of the code.

Sonora and its employees may buy or sell securities that are also held by clients. In fact, we encourage this practice. We believe it better aligns our interests with that of our clients—we eat our own cooking. Employees may not knowingly trade their own securities ahead of client trades. Front running, the act of buying a security ahead of our client's large block purchase and subsequently and immediately selling same security for short term gain, is strictly prohibited. From time to time, members of Sonora will purchase securities that we feel might be appropriate for clients sometime in the future—this is not front running. We believe ownership focuses our attention on a company, for research purposes, in a manner like no other. Employees are also allowed to buy and sell for their own accounts on a short term basis.

The Chief Compliance Officer of Sonora is Susan Mollenbrink. She reviews all employee transactions before they are made. Her trades are reviewed by one of the members of Sonora. The personal trading reviews ensure that the personal trading of employees does not affect the markets so that clients of the firm receive preferential treatment. Since most employee trades are small in nature, the trades do not affect the securities markets.

Brokerage Practices

Client assets are held with third-party brokerage custodians. We do recommend brokerage custodians to clients when they have no other relationship or preference. Sonora recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates, principally with Charles Schwab.

Sonora does not receive fees or commissions from any of these arrangements.

Sonora reviews the execution of trades at each custodian each quarter. Trading fees charged by the aforementioned custodians are reasonable to us.

Best execution in regards to the purchase and sale of convertible bonds is difficult, if not impossible, to determine in many cases. The reason is liquidity.

Convertible bonds are not as actively traded as treasury bonds and harder to find. On any given day there may only be one seller or buyer. Before purchasing or selling a convertible bond, we check with the above custodian for their best price, but also independently check with Value Line's prices to help determine the fairness of prices we accept. Value Line Convertible Survey has been a trusted third party source of convertible bond information for over 40 years. In addition, we request that our clients sign a Prime Brokerage Agreement with their custodian which allows us to price (and/or trade) with various other brokerage firms, if they offer better pricing than the custodian.

Sonora will combine or "batch" orders to obtain best execution when purchasing a security for multiple accounts.

Sonora has no "soft dollar" arrangements with anyone, which means we do not receive research or trips, etc. at the expense of our clients through transacting in their accounts.

Sonora has entered into an agreement with Charles Schwab & Company, Inc., an independent and unaffiliated broker-dealer ("Schwab") to participate in Schwab Advisor Network ("the Service"), an advisor referral service designed to help investors find an independent professional Investment Manager in their area. Sonora has agreed to pay Schwab a fee for participating in the service. The participation fee paid by Sonora is a percentage of the value of the assets in the client's account. This fee covers all client referrals made to Sonora by Schwab, and may be increased, decreased or waived by Schwab from time to time. This arrangement does not cause clients referred by Schwab to pay more than any other client at Sonora.

While Sonora has not entered into this type agreement with other broker-dealers we may in the future.

Review of Accounts

Account reviews are performed quarterly by Tim Wilcox, Doug Rogers, Mike Arko and Brad Toland. They are performed more frequently when market conditions or clients dictate. We do not have a limitation on the number of client accounts assigned to any particular officer, nor is there a precise sequence or review schedule other than quarterly. We monitor the underlying investments we own daily, however.

Our reports are furnished quarterly to all clients. In addition, clients receive monthly statements from their custodian. Clients are encouraged to compare the statements from the custodian to our reports. Our reports include a portfolio statement and rate of return analysis. In general, meetings with clients are held once or twice a year; or more or less frequently, depending on client's circumstances.

Other conditions that may trigger a review are changes in the new investment information and changes in a client's situation.

Client Referrals and Other Compensation

Sonora has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. Generally, we do not compensate referring parties for these referrals. There may be occasions such as the Schwab arrangement when we will pay a percentage of the fee we receive from accounts that have been referred to us. In such case, the client will receive a separate written disclosure statement explaining the arrangement. Our policy is that if we do pay such referral fee, the fee schedule applicable to that client will be the same as other clients of similar size.

Custody

Sonora does not have custody of client assets. (We are deemed to have custody by the Securities and Exchange Commission, however, only because we are allowed to bill client accounts for our fee.) All clients' assets are held at a qualified custodian. This allows clients to see their assets independently of Sonora.

Investment Discretion

Sonora has discretionary authority to manage securities accounts on behalf of our clients. Prior to assuming discretionary authority, clients are provided an Agreement and our current ADV Part 2A and Part 2B. By signing the Agreement, clients grant Sonora discretionary investment authority over their account. Sonora 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.

Clients do have the ability to place restrictions on their accounts. Common restrictions prohibit us from buying specific companies because of social restrictions.

Voting Client Securities

As part of our fiduciary responsibilities, Sonora will vote all client proxies unless the client directs us not to. In absence of specific voting guidelines from the client, Sonora will vote proxies in the best interest of our clients. Sonora's policy is to vote all proxies from a specific issuer the same way for each client absent restrictions from clients. Clients are permitted to place reasonable restrictions on Sonora's voting authority in the same manner that they may place restrictions on the selection of account securities.

Sonora will generally vote in favor of routine corporate housekeeping proposals.

Sonora will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights.

In reviewing proposals, Sonora will further consider the opinion of management and the effect on management, and the effect on shareholder value and the issuer's business practices.

Sonora will retain copies of all votes. You have the right to request in writing a copy of our full proxy voting procedures and a copy of votes cast.

Financial Information

Sonora does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. We reserve cash and hold no debt.

A balance sheet is not required to be provided because Sonora does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than three months in advance.

Brochure Supplement (Part 2B of Form ADV)

Education and Business Standards

Sonora has standards of education and business experience required of all persons that manage portfolios, provide analysis, or provide investment advice to clients. Additionally, advisors must have work experience that demonstrates their aptitude for investment management.

Douglas R. Rogers, Partner, year-of-birth: 1952

Prior to co-founding Sonora Investment Management, LLC, Douglas R. Rogers managed private investment funds for over ten years. He has also worked for a national CPA firm in Los Angeles, California and as the Controller of a computer company.

Doug holds a Masters in Business Administration from the University of Arizona, 1977, and is a Certified Public Accountant. He currently resides in Tucson, Arizona with his wife and daughter. With the beautiful Arizona weather, he enjoys many outdoor activities such as golfing and bicycling.

Hugh B. Toland, Jr., Partner, year-of-birth: 1951

H. Bradley Toland co-founded Sonora Investment Management, LLC in August 1986, following seven years in the investment business. He served as securities analyst and portfolio manager at an investment advisory firm, where he managed over \$65 million in stocks and bonds from 1982 through 1986. Prior to this, he managed security accounts with a national brokerage firm.

A graduate of the University of Arizona, 1975, Mr. Toland also served in the Army as a linguist and intelligence analyst in Japan. He currently resides in Tucson, Arizona with his wife and enjoys sports and traveling to Mexico to vacation.

Timothy D. Wilcox, Partner, year-of-birth: 1971

Tim D. Wilcox has worked in the financial services industry for over fifteen years. Prior to joining Sonora Investment Management in 2003, Mr. Wilcox was a Senior Branch Manager with Charles Schwab & Co. Inc. managing the Northwest Tucson, Arizona office. His responsibilities ranged from supervision and compliance of investment consultant's sales, advice, and service in addition to serving the needs of his clientele. Prior to Schwab, Mr. Wilcox worked as a financial consultant with Shearson Lehman Brothers/Smith Barney in Oklahoma City, Oklahoma.

Mr. Wilcox received his Bachelor of Science Degree from Oklahoma State University in 1993. He resides in Tucson, Arizona with his wife and two children. He enjoys traveling, running, golfing, and is an active sports enthusiast.

L. Graham Gaines, IV, Managing Director, year-of-birth: 1960

As Managing Director of Sonora Investment Management, L. Graham Gaines IV is responsible for leveraging relationships through strategic marketing and business development.

For the past ten years, Mr. Gaines has been active in private equity investments, raising capital and managing businesses. Prior to that, he was a Sr. Vice President with what is today Wachovia Securities, where he focused on institutional equity services and high-net-worth capital management. Before joining Wachovia, Mr. Gaines was an Associate Director of institutional equity sales with Cyrus J. Lawrence, an institutional research firm founded in 1884 and located in New York City. Prior to that position, he was a financial advisor with Merrill Lynch for over five years.

Mr. Gaines holds a Bachelor of Science degree from Northern Arizona University and currently resides in Tucson, Arizona. He is active in the Tucson community and enjoys playing golf, traveling, hiking, fishing and spending time with family and friends.

Michael H. Arko, Vice President of Investment Research, year-of-birth 1977

Mr. Arko has over a decade of running, advising, and investing in companies. Prior to joining Sonora, Mr. Arko worked for Alvarez & Marsal where he provided interim management and investment banking services to large and middle market corporations. Some of Mr. Arko's responsibilities included pro forma financial modeling, cash flow forecasting, business plan reviews, due diligence, asset sales, debt capacity analyses and valuation of companies. Prior to A&M, Mr. Arko worked in New York for the institutional equity research group at Sanford C. Bernstein. Mr. Arko's team was recognized by Institutional Investor each year of his tenure at Sanford C. Bernstein. Mr. Arko started his career in the corporate restructuring group of a big five accounting firm.

Mr. Arko earned a bachelor's degree in finance summa cum laude from the University of Arizona and a master's degree in business administration from Arizona State University. Mr. Arko resides in Phoenix with his wife and daughters where they are involved with several non-profit organizations. An avid sports fan, he enjoys playing golf, tennis, traveling and spending time with his family.

