

DISTRIBUTION CONSULTANTS, INC.

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This Brochure provides information about the qualifications and business practices of Distribution Consultants, Inc. If you have any questions about the contents of this Brochure, you may contact us at (503) 292-5853 or to obtain answers and additional information. Distribution Consultants, Inc. is a registered investment adviser with the United States Securities and Exchange Commission (“SEC”). Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Distribution Consultants, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Distribution Consultants, Inc. is 166765.

## Item 2 Material Changes

The date of our last annual update of our Brochure was March 29, 2019.

We will ensure that when required, all current clients will receive a Summary of Material Changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. When required, a Summary of Material Changes will also be included with our Brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Distribution Consultants, Inc. is 166765. Any Summary of Material Changes will be listed as "Exhibit A" to our Brochure. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting us at (503) 445-1957. Our Brochure is provided free of charge.

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#### Item 4 Advisory Business

Distribution Consultants, Inc. (“DC”) is an SEC registered investment advisory firm located in Portland, Oregon. DC has been in business since 2013 and is owned by Christopher K. Hicks, President and Chief Compliance Officer. We provide third-party asset management services to Collective Investment Funds (“CIF’s”), and asset allocation research and information utilizing portfolio models with associated recommended asset allocations, to both affiliated and non-affiliated registered investment advisory firms (hereinafter collectively “RIA Firms” or “Clients”). DC operates transparently behind the scenes to provide asset allocation research and information support to the RIA Firms who contract directly with us for our services.

DC offers the following services as a part of the turnkey business solution:

Asset Management to CIF’s – We provide third-party asset management (to CIF’s) on a discretionary basis. Based on the investment objectives of the CIF Trustee, our approach uses a tactical approach to manage investments. Our management includes mutual funds as well as other investments such as exchange-traded funds, exchange-listed equity securities, municipal securities, U.S. government securities and money market funds when suitable and appropriate.

Asset Allocation Research - We provide asset allocation research and information utilizing portfolio models with associated recommended asset allocations affiliated and non-affiliated RIA Firms. Our various model strategies include broadly diversified valuation based strategies and more actively managed tactically based systematic strategies. Our Asset Allocation Portfolios primarily include mutual funds. However, we may also utilize other investments such as exchange-traded funds, exchange-listed equity securities, municipal securities, U.S. government securities and money market funds when suitable and appropriate. Additionally, we support RIA Firms with research, due diligence, reporting and portfolio analysis.

We provide the research and asset allocation analysis to RIA Firms on a systematic daily, weekly, monthly, and quarterly basis. This research is designed with varying risk return characteristics using multiple asset classes. At their sole discretion, the RIA Firms may elect to utilize or reject this research to manage their clients’ accounts. We do not directly provide any advisory services to, or have any direct relationship with the RIA Firm End Clients. We do not have any authority over and do not manage the accounts on behalf of those End Clients.

We do not manage Wrap Fee programs.

We currently manage \$12,187,324 of Client assets on a discretionary basis and \$0 of Client assets on a non-discretionary basis. These amounts were calculated as of December 31, 2019.

#### Item 5 – Fees and Compensation

We provide investment supervisory services to RIA Firms primarily under the following fee schedule below:

**Assets Under Management:**

Maximum Annual Fees: .60%

Fees can be calculated in a variety of ways as negotiated with each relationship. This includes, but is not limited to, a daily, monthly or quarterly basis in arrears or in advance using the daily average market value of the assets under management or using the month end or quarter end values. Fees will be paid generally on a monthly or quarterly basis or as soon as administratively practical.

Market value includes all account values and transaction information as of the end of each billing period (not adjusted by any margin debit). To determine value, securities and other instruments traded on a market for which actual transaction prices are publicly reported are generally valued at the last reported sale price on the principal market in which they are traded. Mutual Funds are only valued once per day after the close of the market. Whenever valuation information for specific, illiquid, foreign, private or other investments is not available through the custodian, our approach will be to value at zero. We do this in order to not overvalue a position which could potentially over inflate billing calculations. Alternatively, we may also seek to obtain and document price information from at least one independent source, whether it be a broker-dealer, bank, pricing service or other source.

The fee will be equal to the agreed upon annual rate, multiplied by the market value of the account. This number is then divided by the number of days in the year and then multiplied by the number of days in the billing period.

In the event that the Fund closes, fees would be calculated through the last day the Fund was active. We may modify the terms of the fee agreement by giving our Client RIA Firms 30 days written notice in advance.

Fees are not generally negotiable.

Generally, Clients pay all fees monthly or quarterly in arrears. As such, there are never any pre-paid fees for Assets Under Management which would be subject to refund. Upon termination, any fees that have been earned by us but not yet paid will be immediately due and payable.

Set-up costs and on-going expenses incurred by our Clients are separate and apart from the management fees charged by DC. These costs include, but are not limited to, audit costs, transfer agency costs, CUSIP fees and share class fees.

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

We do not charge any performance-based fees for our services or engage in side-by-side management.

## **Item 7 – Types of Clients**

We provide investment advice and act as an investment manager to Collective Investment Funds and provide asset allocation research services to RIA Firms. We do not provide any individualized advisory services to any ERISA covered Plan Participants or end retail clients. Further, we do not have any discretionary authority over any assets or investment decisions made by or on behalf of any end retail clients of RIA Firms or ERISA covered Plan Participants.

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

Asset allocation and security selection decisions are made with the aid of computer models. The model portfolios are often comprised of multiple asset categories and sectors which have the ability to perform multiple styles of asset allocation including ranges from 100% full equity exposure to 100% full cash exposure. Investment overlap and diversification are key components to the investment portfolio design.

While the typical asset allocation elected by a large majority of the investment advisory community would include Large Cap, Mid Cap, Small Cap, Bonds and International segments. Our growth model processes often evaluate all of those, but also includes special sectors such as financials, global/foreign, gold, commodities, natural resources, technology, health care, real estate, region specific/country specific, utilities, world bonds and more. This allows our models to select risk appropriate positions from a large population of investment opportunities.

There are substantial risks involved by investing in securities. Our method of investing is “active” consequently; the allocation that exists one day or one week may not be representative of the allocation the following day, week, month or quarter.

Additionally, there are complexities and risks associated with trading securities including, but not limited to execution or trading errors, price volatility, bid/ask spreads, order types (such as “market” and “limit” orders), deviation from net asset value and “execution price slippage” caused by lack of order or book depth. This is commonly seen in some of the more thinly traded stocks or ETFs that don’t usually experience a lot of daily trading volume. In order to help mitigate these risks, we generally focus on mutual funds that trade once per day as this helps minimize problems associated with industry intra-day price deficiencies. Exchange-traded funds (ETFs) are another tool that is often used to “actively” manage client accounts, but the price execution risk is much higher with ETFs than mutual funds because their price fluctuates like a stock and can be traded multiple times per day.

Use of leverage funds in a Client’s portfolio often adds risk to the portfolio. Leveraged funds, which use futures and options to amplify returns, attempt to return two to three times the daily returns of a particular index. However, due to the liquidity that is often found as a characteristic of leveraged funds, we may from time to time purchase leveraged bond funds that contain 1.2 times or more the movement of the respective bond index. The use of such leverage is often conducted to accommodate specific liquidity needs of the client or to activate new investment assets that have been transferred into the client’s portfolio. Other leveraged sector funds could be used to accommodate liquidity issues as well, but the time frame for holding those volatile positions would likely be short.

## **Item 9 – Disciplinary Information**

On September 6, 2012, DC’s principal and owner, Chris Hicks, along with two investment advisor firms also owned by Mr. Hicks, reached a consent settlement with the SEC. The consent and settlement involved disclosure, and proxy voting violations related to the operations of those firms. Without admitting or denying any of the SEC’s findings, pursuant to a SEC Order and Offer of Settlement, Mr. Hicks, agreed to pay a fine of \$50,000 in his capacity as owner of those related entities. As DC was not in existence at the time, it was neither named nor referenced in the settlement documents. We welcome any inquiries regarding this matter.

## Item 10 – Other Financial Industry Activities and Affiliations

### **Affiliated Entities:**

We are affiliated through common ownership and control with The H Group, Inc. (“THG”), The H Group Washington, Inc., (“THGWA”), CS Planning Corp (“CSP”), MGM, LLC (“MGM”) and FocusPoint Solutions, Inc. (“FPS”). THG, THGWA, CSP, MGM, FPS and DC are all under the common control of Christopher K. Hicks who is considered a control person of each firm because he holds more than 25% ownership interest in each firm.

THG, THGWA, CSP and MGM are an investment advisors registered with the Securities and Exchange Commission. THG, THGWA, CSP and MGM all offer a wide range of financial planning and investment advisory services through numerous Advisory Affiliates to their firms.

FPS is also an investment advisor registered with the Securities and Exchange Commission. FPS provides turnkey asset management, back office, and administrative services to both affiliated and non-affiliated registered investment advisory firms, including DC.

These services may include, but are not limited to the following:

- research,
- due diligence,
- reporting,
- portfolio analysis,
- investment execution services, and
- back-office administration.

For certain RIA Firm clients, FPS also provides non-discretionary sub-advisory services, including investment recommendations.

FPS generally does not have any direct contact with any Clients. FPS provides services directly to us and we are solely responsible for Client accounts. Upon entering into an agreement for advisory services with us, Clients authorize us to use FPS to service their account, including billing and the deduction of fees. Clients agree to allow us to share non-public, personal information with FPS for the purpose of administering and managing Client’s account. We require FPS to execute a confidentiality agreement and not share Client information with any unauthorized person or entity. The use of FPS will not cause Clients to incur any additional fees. We pay FPS for services out of the fee charged to Clients. Our fee schedule is disclosed under Item 5 above.

The use of an affiliated service provider such as FPS creates a conflict of interest because we have an incentive to hire FPS over other unrelated third party service providers. In order to mitigate this conflict of interest, we conduct regular assessments to evaluate the continued use of all third party service providers, whether or not affiliated.

## Item 11 – Code of Ethics, Participation or Interest in *Client* Transaction & Personal Trading

We have a Code of Ethics which outlines our high standard of business conduct, and fiduciary duty to our Client RIA Firms. The Code of Ethics includes provisions relating to the confidentiality of

Client information, a prohibition on insider trading, personal securities trading procedures, improper use of Firm property, and diversion of investment and business opportunities, among other things. A copy of the code of ethics is available upon request by contacting us at (503) 445-1957. Brochures are provided free of charge.

We or individuals associated with our firm may buy and sell some of the same securities for their own account that we buy and sell for the RIA Firms that are our Clients. When appropriate we will purchase or sell securities for our Clients before purchasing the same for our account or allowing representatives to purchase or sell the same for their own account. However, we do allow the accounts of employees to be included in block trading alongside the accounts of our Clients. In some cases we or our representatives may buy or sell securities for our own account for reasons not related to the strategies adopted for our Clients. Our employees are required to follow the Code of Ethics when making trades for their own accounts in securities which are recommended to and/or purchased for Clients. The Code of Ethics is designed to assure that the personal securities transactions will not interfere with decisions made in the best interest of Client RIA Firms while at the same time, allowing employees to invest their own accounts.

In the event a material conflict of interest not already discussed in this document should arise, we will disclose to our Client RIA Firms any material conflict of interest relating to us, our representatives, or any of our employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

As any advisory situation could present a conflict of interest, we have established the following restrictions to ensure our fiduciary responsibilities:

- A director, officer, associated person, or employee of DC shall not buy or sell securities for his personal portfolio where his decision is substantially derived, in whole or in part, by reason of his employment unless the information is also available to the investing public on reasonable inquiry. No person of DC shall prefer his or her own interest to that of our Client RIA Firms.
- We maintain a list of all securities holdings for the firm and for anyone associated with its advisory practice that has access to advisory recommendations. An appropriate officer reviews these holdings on a regular basis.
- Any individual not in observance of the above may be subject to discipline up to and including termination.

## **Item 12 – Brokerage Practices**

The CIF and RIA Firms assets are held by independent third-party qualified custodians or independent Trusts. We do recommend certain custodians to RIA Firms, however, the RIA Firms are not obligated to use any particular custodian recommended by us. We reserve the right to decline acceptance of any Client account for which the Client directs the use of a particular custodian if we believe that this choice would hinder either our fiduciary duty to the Client or our ability to service the account.



In recommending custodians, we will comply with its fiduciary duty to seek best execution and with the Securities Exchange Act of 1934. We will take into account such relevant factors as:

- Price;
- The custodian's facilities, reliability and financial responsibility;
- The ability of the custodian to effect transactions, particularly with regard to such aspects as timing, order size and execution of order;
- The research and related brokerage services provided by such custodian to us, notwithstanding that the account may not be the direct or exclusive beneficiary of such services; and
- Any other factors that we consider to be relevant.

Due to our relationship with FPS and the aggregation of Client accounts with custodians, we do receive investment research products and/or services which assist us in our investment decision-making process. Such research generally will be used to service all Client accounts. The receipt of investment research products and/or services poses a conflict of interest because we do not have to produce or pay for the products or services.

Indirectly and through our relationship with FPS, DC receives, without cost to us, computer software and related systems support, which allow us to better monitor accounts. We receive software and related support without cost because our Clients maintain assets with these custodians. The software and related systems support benefits us, but may not benefit the Clients directly. Our receipt of these types of benefits from a custodian creates a conflict of interest since these benefits may influence our recommendation of one custodian over another that does not furnish similar software, systems support, or services. Additionally, we receive: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively service the custodians' respective institutional division participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to accounts; and access to an electronic communication network for order entry and account information.

Many of the above benefits are generally considered to be "soft dollar" arrangements. As a result of receiving such products and services for no cost, we have an incentive to recommend to Clients custodians that offer soft dollar arrangements. However, these types of arrangements are similar and common to the custodial relationships of other registered investment advisory firms in the industry. We periodically evaluate custodians to determine whether the benefits we receive are reasonable in relation to the value of services provided to our Clients.

Due to our affiliation with FPS we have an incentive to recommend Fidelity as a custodian for Client accounts. FPS has entered into a support services agreement with Fidelity Brokerage Services LLC and National Financial Services LLC (together referred to as "Fidelity"). Under this agreement, Fidelity pays FPS a support fee based on a portion of Client assets in the custody of Fidelity. However, FPS and Fidelity have agreed that no support fee payments will be made with respect to investments in transaction fee funds and Fidelity sponsored funds. Under this arrangement, FPS provides numerous and substantial services to RIA Firms like DC that would normally be provided by the custodian (for example, back office, administrative, transition and clerical services). While this arrangement results in cost savings for the custodian and increased costs for FPS, the receipt of this additional compensation may create an incentive for DC to recommend funds available through the Fidelity platform for which (i) Fidelity is not a sponsor or manager, and (ii) transaction fees are not

imposed (together, “NTF Funds”). It would not be unusual for the majority of investments made through the Fidelity platform to be in NTF Funds, for which FPS would receive support fees. Because FPS generally pays custodial trading costs for the trades recommended by us there may also be an incentive to make fewer trading recommendations in ordinary transaction fee funds in order to control trading expenses. These conflicts of interest may influence our recommendation of one custodian over another that does not furnish similar benefits. However, these conflicts are mitigated by our fiduciary duty to put our Clients’ interests first including the rebating or crediting to clients of support fee revenue when required to comply with ERISA rules and regulations. We review what types of funds are available for use in Client portfolio allocations and seek those that are the most suitable, appropriate and in the Client’s best interest.

We may aggregate trades for Clients. The allocations of a particular security will be determined by us before the trade is placed with the broker. When practical, Client trades in the same security will be bunched in a single order (a “block”) in an effort to obtain best execution at the best security price available. When employing a block trade:

- We will make reasonable efforts to attempt to fill Client orders by day-end.
- If the block order is not filled by day-end, we will allocate shares executed to underlying accounts on a pro rata basis, adjusted as necessary to keep Client transaction costs to a minimum.
- If a block order is filled (full or partial fill) at several prices through multiple trades, an average price and commission will be used for all trades executed.
- All participants receiving securities from the block trade will receive the average price.
- Multiple blocks may be executed within a single day. However, only trades executed within the block on the single day may be combined for purposes of calculating the average price.

It is expected that this trade aggregation and allocation policy will be applied consistently. However, if application of this policy results in unfair or inequitable treatment to some or all of our Clients, we may deviate from this policy.

Finally, it is our policy to minimize the occurrence of trade errors. Should any trade errors which are attributable to DC occur, we shall take any steps necessary to put the Client in the position it should have been as if the trade error never occurred. In the event we determine that a bona fide trade error has occurred which is attributable to DC, we will correct the trade error using funds from our error account. Depending on the internal trade error policies and procedures of the particular custodian, our error account may be debited if the correction results in a loss. Likewise, our error account may be credited if the correction results in a gain. This situation creates a conflict of interest as DC has an incentive to recommend particular custodians over others that may not have a similar policy.

### **Item 13 – Review of Accounts**

DC will conduct periodic reviews. More frequent reviews may be triggered by a number of reasons including: a change in Client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; or changes in the economic climate.

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

As disclosed under Item 12 (above), we (or our Affiliates) may receive “soft dollars” from certain custodians. Further, FPS has also entered into a Custodial Support Services Agreement with Fidelity. The conflicts of interest these types of arrangements present and how we deal with these conflicts are described in detail under Section 12, above.

#### **Item 15 – Custody**

We do not have custody of the assets in the account.

We shall have no liability to a Client for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance which may be carried by the custodian. The Client understands that SIPC provides only limited protection for the loss of property held by a custodian.

Clients receive standard account statements from the custodian of their accounts generally on a monthly basis, but in any event, no less than quarterly. Our Advisory Affiliate’s may also provide Clients with periodic written reports summarizing the account activity and performance. We urge all Clients to carefully review statements from the custodian and compare these to any reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

Generally, we provide the Trustee of the CIF an investment model that includes a proposed list of securities and instruments. The CIF Trustee then approves the investments for inclusion in the model. We then have discretionary authority to execute investment recommendations using the pre-approved list in accordance with the investment model.

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

We do not have the authority or ability to vote proxies for Client accounts.

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

We do not require fees to be paid in advance. Under no circumstances will we retain more than \$1,200.00, more than six months in advance from any Client.

We have no financial commitments that would impair our ability to meet contractual and fiduciary commitments to Clients.

Neither DC, nor any of the principals, have been the subject of a bankruptcy petition at any time in the past. We have no financial conditions that would impair our ability to meet contractual commitments to our Clients.

## **Exhibit A – Summary of Material Changes**

This Item discusses only specific material changes that have been made to our Brochure since the date of our last annual update, which was March 29, 2019. Since that date we have made no material changes.

Currently, our Brochure may be requested by contacting us at (503) 445-1957 or [info@focuspointsolutions.com](mailto:info@focuspointsolutions.com). Our Brochure is provided free of charge.