# Disclosure Brochure

(Part 2A of Form ADV)

## Item 1 Title Page

# YOUR SOURCE FINANCIAL


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Your Source Financial is a registered investment advisor.

This brochure provides you information about the qualifications and business practices of Your Source Financial. If you have any questions about the contents of this brochure, please contact us at: 602-343-1700, or by email at: info@ysfi.com.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC"), or by any state securities authority. You understand that our registration as an investment advisor does not imply that the SEC has certified us to any level of skill or training.

Additional information about Your Source Financial is available on the SEC's website at www.adviserinfo.sec.gov

March 31, 2021

# Item 2 Material Changes

## Annual Update

The Material Changes section of this brochure will be updated annually or when material changes. Our previous release of the Firm Brochure was dated: March 31, 2020.

## Material Changes since the Last Update

Wound down and closed Your Source Pacific Fund I, LLLP.

## Full Brochure Available

Whenever you would like to receive additional copies of our Firm Brochure, please contact us by telephone at: 602-343-1700 or by email at: info@ysfi.com.

## Item 3 Table of Contents

## Item 4 - Advisory Business

### Firm Description

Your Source Financial, P.L.C. doing business as Your Source Financial, is an Arizona professional limited liability company founded in Phoenix, Arizona on April 18, 2000.

Our firm provides financial planning and investment supervisory services to individuals and families, pension and profit sharing plans, trusts and small businesses.

As of December 31st, 2020, we manage over $286 million in assets.

### Principal Owners

Raymond J. DiMuro and George R. Collett

### Financial Planning Services

Our firm may provide financial planning services. Financial planning is a collaborative process that helps maximize your potential for meeting life goals through financial advice that integrates relevant elements of your personal and financial circumstances.

### Investment Supervisory Services

Our firm provides investment supervisory services. This service includes the provision of continuous advice concerning the investment of assets consistent with your circumstances, preferences, and objectives. We manage on a discretionary basis. This means we have the authority to decide which securities to purchase and sell in your account without your approval on a trade by trade basis. Our firm may use exchanged listed securities, over-the-counter securities, foreign securities, CD's, corporate debt securities, municipal securities, mutual funds, exchange traded funds, United States government securities, managed futures, real estate investment trusts, or limited partnerships to accomplish your objectives.

### Sub-Advisor Services

We may recommend and refer you to unaffiliated third party portfolio manager (sub-advisor). When a sub-advisor is utilized, our firm will continue to manage, maintain and develop your relationship while the selected manager will solely provide discretionary investment management services. Prior to entering into an agreement with a third party manager selected by our firm, you will be provided with a copy of that manager's form ADV Part 2 (or a brochure that makes the appropriate disclosures). In consideration for such, the third party manager will receive an investment advisory fee, billed quarterly in arrears, based on the account value at the time the account is established, and subsequently on the value of the account at the end of each quarter. Fees payable to a sub-advisor are included so you will not be charged additional fees for use of this service. (see *item 5-Fees and Compensation*).

**Insurance Services**

Our firm, or its representatives, may be independently licensed and appointed as insurance agents in specific states. This means that we may analyze, recommend and provide life or health insurance, fixed annuities, disability and long term care policies on your behalf. We may be able to assist in acquiring these insurance policies from various independent and unaffiliated companies. This creates a potential conflict of interest because of the receipt of additional compensation in the form of commissions provided by the insurance company. You are not obligated to utilize our firm or its representatives for the purchase of any insurance policy. We offer this service as a convenience but you may choose any licensed life or health agent to accomplish your insurance needs or may choose to not obtain insurance coverage at all.

**Financial Planning**

A financial plan is required designed to integrate n, analysis and recommendations in the six areas of financial planning which may include:

- Financial Situation;
- Income Taxes;
- Insurance;
- Investments;
- Retirement Planning and;
- Estate Planning.

In order to provide detailed investment advice and specific recommendations as a suitable course for you, we may review a number of variables. This review may include investment objectives, consideration of your overall financial condition, income and tax status, personal and business assets, risk profile and other factors unique to your particular circumstance. Upon completion of this review a written analysis and report may be provided and may include, but not limited to the following:

- Preparation of net worth and cash flow statement
- Existing and future asset analysis
- Existing and future sources of income analysis
- Current portfolio investment review
- Existing and future asset allocation model
- Review of life and disability coverage
- Strategic tax planning and review of estate planning documents
- Education planning with funding considerations

- Retirement analysis and review

After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary. Upon completion of the financial plan, ongoing investment supervisory services may be offered. You understand that you are under no obligation to select additional or ongoing services from us and you maintain full responsibility for the implementation of the plan.

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**Investment Management Agreement**

Our firm provides continuous asset management for advisory accounts on a discretionary basis. (*see item 4 –Investment Supervisor Services*) You may choose to have us manage your assets in order to obtain ongoing portfolio advice and direction. The scope of work and fees are provided to you in writing prior to the start of the relationship in the investment management agreement.

Complete aspects of your financial affairs are reviewed (*see item 4-Financial Planning Services*). Realistic and measurable goals may be set and objectives to reach those goals may be defined and included in the development of a *Personal Investment Policy Statement*. We create and manage your portfolio using this as a guideline for your stated objectives, time horizons, risk tolerance and liquidity needs. As goals and objectives change over time, suggestions may be made and implemented on an ongoing basis.

We tailor our advisory services to your needs based on information gathered from multiple consultations with you. As a result of these meetings and communications you may impose investment restrictions. We make best efforts to comply with those restrictions when we have a clear understanding of your requirements. These restrictions, if any, are documented and included in the investment management agreement.

It remains your responsibility to notify us promptly of any changes in your investment objectives or financial situation for the purpose of re-evaluating your investment plan.

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**Hourly Planning Engagements**

We may provide hourly planning services for you on a limited scope of work. An example could be that you want a specific plan to save for your children’s education. Our hourly rate for limited scope engagements is typically $150.00.

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**Termination of Agreements**

You may terminate any agreement at any time by notifying us in writing and paying the rate for time spent prior to notification of termination. If you made an advance payment, we may refund any unearned portion of the advance payment only at your request.

## Item 5 - Fees and Compensation

### Overview

We are a fee-based registered investment advisor. We receive compensation based on a pre-determined, mutually agreed upon fees. We believe this helps to eliminate undue influence from a broker-dealer or other financial entity and ultimately may reduce many types of conflicts of interest that are sometimes associated with the financial services industry. We attempt to align our interest with yours.

We base our fees on a percentage of your assets under management, hourly charges, fixed fees or courtesy fees. We may only receive commissions generated from the sales of fixed life, annuity, or health insurance policies. We may price our fixed fees and financial planning fees based on the perceived complexity of work in your particular situation. When you engage us to do financial planning work and you make it clear that asset management is not likely to be a subsequent or significant part of our relationship, we are likely to price the work based strictly on your use of our professional time.

You may negotiate our fees and we may consolidate, reduce or waive your fees at our sole discretion and based upon certain criteria that may include our historical relationship, type of assets, your anticipated future earning capacity, your anticipated future additional assets, dollar amounts of assets you allow us to manage, your related accounts, or your overall account composition. Generally, we price our services to induce you into as long of a relationship as possible.

### Fees for Financial Plans

Your fee for a financial plan is based upon the facts known at the start of the engagement. The fee range may be $500 to $3,500 and is negotiable. Since financial planning is a discovery process, situations occur wherein you may be unaware of certain financial exposures or predicaments. In the event that your situation is substantially different than disclosed initially, a revised fee may be provided for mutual agreement. You must approve the change of scope in advance of the additional work being performed when a fee increase may be necessary. Fees for financial plans may be billed in advance with the balance due upon signing of the planning agreement. You have the right to cancel the planning agreement within five business days after signing without obligation or penalty. After five business days, you may cancel the planning agreement at any time prior to delivery of the financial plan, but may be required to pay fees for work already performed.

### Typical Fees for Investment Management

Your fees for investment supervisory management are based on the total amount of your assets we have under management and are determined by your account market value at the end of your quarterly cycle. We bill your account in advance or in arrears; fees are typically deducted directly from your account. You may consent to direct debiting of your investment account through the custodian. If we begin managing your account during the quarter, then we may bill your account on a pro-rata basis calculated on the account value at the end of your quarterly cycle. In this case, we may also add this pro-rated amount to the standard amount for the billing quarter. Our standard fees are:

| Fee | Value of Assets |
|---|---|
| 1.50% | First $2,000,000 |
| 1.00% | $2,000,000 to $3,000,000 |
| 0.75% | $3,000,000 to $5,000,000 |
| 0.65% | $5,000,000 to $10,000,000 |
| 0 50% | Over $10,000,000 |

You may negotiate fixed or flat fee arrangements. We may charge a minimum quarterly fee regardless of asset value and may impose a minimum fee for courtesy accounts. You understand that other client relationships may exist where the fees are higher or lower than what you may pay, or the fee schedules listed above. If used, fees payable to a sub-advisor (*see Item 4 Sub-Advisory Services*) are included so you will not be charged additional fees for use of this service.

**Other Fees**

You understand that custodians may charge fees that are sole and separate from us. Examples of these costs may be transaction fees on the purchase or sale of securities, custodial commissions, wire transfers, custodial fees, electronic fund fees or miscellaneous fees for brokerage accounts. These transaction charges are incidental to the purchase or sale of a security or your use of your account. While we are aware of miscellaneous fees and we review them regularly, it is not the sole criteria for continued use of the custodian or a limiting factor when choosing to take appropriate action in your account.

**Expense Ratios**

You understand that mutual funds and exchange traded funds may also charge a fee for their services. Their fee is often called an expense ratio which is disclosed in a fund's Prospectus. You understand that these fees may be in addition to the fees you pay us. These fees may seem hidden because the expense ratio is deducted before the value of the fund is calculated. You understand that the share price you see quoted already has the fees deducted from the value of the fund.

**Past Due Accounts and Termination of Agreements**

We reserve the right to stop work on an account if your fee is more than 90 days overdue. In addition, we may terminate your agreements if we discover that you have concealed or refused to provide pertinent information about your financial situation, in our sole judgment, that we believe hinders our ability to provide appropriate financial advice.

## Item 6 - Performance-Based Fees

### Sharing of Capital Gains

Our fees are *not* based on a share of your capital gains or capital appreciation. We do not use performance-based fee structures because we believe it creates a potential conflict of interest; incentive to recommend an investment or strategy that may carry a higher degree of risk.

## Item 7 - Types of Clients

### Retirement Investor

A new expanded definition of a fiduciary under ERISA and/or the Internal Revenue Code (IRC) is applicable June 9, 2017. The Department of Labor (DOL) considers us a fiduciary if we give investment recommendations (including as to IRA rollovers from a plan) to a retirement investor for compensation. When we do this, we must abide by the “Impartial Conduct Standards” in the regulation which require that we:

1. Give advice that is in the retirement investor’s best interest and reflects the care, skill, prudence, and diligence of a prudent person acting in like circumstances without regard to our financial or other interests;
2. Charge no more than reasonable compensation; and
3. Make no materially misleading statements about investment transactions, compensation, and conflicts of interest.

### Other (Non-Retirement) Investor

Notwithstanding the DOL’s distinction between Retirement Investors and other (non-retirement) investors, we abide by the “Impartial Conduct Standards” for all clients. We provide financial planning and investment supervisory services to clients regardless of whether the assets are in retirement accounts or not. Certainly, client relationships vary in scope based on our clients’ needs.

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

### Methods of Analysis

Our firm may combine a number of techniques when managing assets and construction of portfolios for you. Our approach is a sector specific tactical allocation from a top down perspective. This style begins with a look at the overall economic picture and current market conditions and then narrows down to sectors, industries, and ultimately to individual companies. Fundamental analysis is used to select each individual security and technical analysis is used to determine buying or selling timelines. Systematic risk is managed by tactical allocation of assets and overall asset allocation. Non-systematic risk is managed by diversifying and monitoring fair value.

## Sources of Information

The main sources of information we use include financial newspapers and magazines, inspections of corporate activities, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases. Other sources of information that our firm may use include Talon Advisors LLC, Morningstar, Seeking Alpha, MarketWatch, Bloomberg, Barron's, Ned Davis, Argus, Credit Suisse or TD Ameritrade research reports.

The data and analysis in our analysis and reports have been obtained from sources, methods, and calculations we believe to be reliable; however, the accuracy or completeness is not guaranteed.

## Principal Risks of Investing Your Portfolio

We believe that stock (equities) should be part of most investors' portfolios, especially if they have an investment horizon of 5 to 10 years or longer. Equities may be appropriate for investors with shorter time horizons of 3 to 5 years as well. However, the percent of the portfolio invested in equities may be lower than for investors with long to very long investment horizons.

Your portfolio is subject to a number of risks that may affect its value, including:

Allocation Risk: Your specific allocations may have a significant effect on your performance. Allocation risk is the risk that our selection of positions and our allocation of assets among such positions may cause your portfolio to underperform other investments with similar investment objectives.

Early Closing Risk: An unanticipated early closing of the exchanges may result in your inability to buy or sell shares of your portfolio on that day.

Price Risk: The prices of equity securities rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole. In addition, markets tend to move in cycles which may cause prices to fall over short or extended periods of time.

Market Risk: Due to market conditions, the value of your investments may fluctuate significantly from day to day. This volatility may cause the value of your investment to decrease.

Trading Risk: Although your positions are currently listed on an exchange, there can be no assurance that an active trading market for your positions will develop or be maintained.

Investment Risk: You could lose money, including the possible loss of the entire principal amount of your portfolio, over short or even long periods of time. Portfolio investments in individual securities and funds, will subject you to the direct risks associated with such investments. Your exposure to a particular risk will be proportionate to your overall allocation and exposure to various security types, currencies, market sectors, and geographic regions. These risks include any combination of the risks described below:

- *American Depositary Receipt (ADR) Risk:* ADRs have the same currency and economic risks as the underlying non-U.S. shares they represent. They are affected by the risks associated with non-U.S. securities, such as changes in political or economic conditions of other countries and changes in the exchange rates of foreign currencies. In addition, investments in ADRs may be less liquid than the underlying securities in their primary trading market.
- *Concentration Risk:* Your portfolio may, at various times, concentrate in the securities of a particular industry, group of industries, or sector. When your portfolio is over-weighted in an industry, group of industries, or sector, it may be more sensitive to any single economic, business, political, or regulatory occurrence than a portfolio that is not over-weighted.
- *Counterparty Risk:* Commodity-linked derivatives, repurchase agreements, swap agreements and other forms of financial instruments that involve counterparties subject your portfolio to the risk that the counterparty could default on its obligations under the agreement, either through the counterparty's bankruptcy or failure to perform its obligations.
- *Credit Risk:* Portfolio investments may be subject to the risk that a decline in the credit quality of the company or counter-party to a company could cause your portfolio value to fall. You could lose money if the issuer or guarantor of a portfolio investment or the counterparty to a derivatives contract fails to make timely principal or interest payments or otherwise honor its obligations.
- *Emerging Markets Risk:* There is an increased risk of price volatility associated with investments in, or exposure to, emerging market countries, which may be magnified by currency fluctuations relative to the U.S. dollar.
- *Equity Risk:* The prices of equity securities in which we invest your portfolio is exposed to rise and fall daily. These price movements may result from factors affecting individual companies, industries or the securities market as a whole.
- *Foreign Currency Risk:* Currency movements may negatively impact the value of your portfolio even when there is no change in the value of the security in the issuer's home country. We may not hedge against the risk of currency exchange rate fluctuations.
- *Foreign Securities Risk:* Your investments in, or exposure to, foreign issuers involve certain risks including, but not limited to, risks of adverse changes in foreign economic, political, regulatory and other conditions, or changes in currency exchange rates or exchange control regulations

(including limitations on currency movements and exchanges). In certain countries, legal remedies available to investors may be more limited than those available with respect to investments in the United States. In addition, the securities of some foreign companies may be less liquid and, at times, more volatile than securities of comparable U.S. companies.

- *Tracking Error Risk:* Tracking error can arise due to factors such as the effect of transaction fees and expenses incurred by investments in ETFs, changes in composition of the benchmark, and the ability of the ETF manager or sponsor to successfully implement his or her investment strategy.

Option Trading Risk: Options trading involves unique and often significant risks and costs:

- *Spreads And Other Multiple-Leg Options Strategies:* Entail substantial transactions costs, including multiple commissions, which may impact any potential return. These are advanced options strategies and can involve greater risk, and more complex risk, than basic options trades.
  - *Credit Spread:* Maximum potential reward is limited to the net premium received, less transaction costs. The maximum loss is the difference between strikes, less net premium received, plus transaction costs.
  - *Debit Spread:* Maximum potential reward is limited to the difference between strikes, less net premium paid. The maximum loss is the net premium paid and transaction costs.
- *Covered Call Strategy:* Can limit the upside potential of the underlying stock position, as the stock would likely be called away in the event of substantial stock price increase. Additionally, any downside protection provided to the related stock position is limited to the premium received.

Cyber Security Risk. As the use of technology, including cloud-based technology, has become more prevalent in the course of business, your account has become potentially more susceptible to operational and information security risks resulting from breaches in cyber security. A breach in cyber security refers to both intentional and unintentional cyber events that may, among other things, cause your account:

- To lose proprietary information.
- Suffer data corruption or destruction.
- Lose operational capacity.
- To have unauthorized release or other misuse of confidential information

Cyber security breaches may involve:

- Unauthorized access to the digital information systems that support your account (e.g., through "hacking" or malicious software coding)
- Intentionally or unintentionally harmful acts of our personnel or outside attacks such as denial-of-service attacks (i.e., efforts to make network services unavailable to intended users).
- Third party Service Providers that provide us services, trading counterparties, issuers in which your account invests can also subject your account to many of the same risks associated with direct cyber security breaches.

Our increased use of cloud-based Service Providers:

1. Could heighten or change these risks.
2. Could adversely impact such counterparties or issuers
3. Could cause your account's investment to lose value.

Cyber security failures or breaches may result in:

- Financial losses in your account.
- Disruptions to business operations, potentially resulting in financial losses
- Impediments to trading
- Violations of applicable privacy and other laws
- Regulatory fines and penalties
- Reputational damage
- Reimbursement or other compensation costs
- Additional compliance and cyber security risk management costs
- other adverse consequences

We have established business continuity plans and risk management systems designed to reduce the risks associated with cyber security breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because we do not directly control the cyber security systems of issuers, trading counterparties, service providers or other third parties. There is also a risk that cyber security breaches may not be detected.

Data Source Risk. We use a variety of proprietary and non-proprietary data to evaluate securities and formulate investment advice. If a data source is incorrect or unexpectedly becomes unavailable or unreliable, your account may be negatively impacted. We also subscribe to external data sources for various purposes and functions, including in making investment decisions. While we believe those third-party data sources to be generally reliable, we do not guarantee that the data received will be accurate or complete and is not responsible for errors by these sources.

**Transparency**

We publish your portfolio data to a secure online portal daily. Your portfolio holdings, transactions and performance will be shown on your Secure Portal with data based on the subsequent market day. The TD Ameritrade website is available to you in real time on every market day. You will receive monthly TD Ameritrade statements, and a quarterly performance report will be posted to your secure portal.

**Asset Allocation**

Preservation of capital is a principal driver to our investment philosophy empowering us to managing risk, liquidity and volatility in your portfolio. We employ asset allocation techniques that may include equities, fixed income, options, alternative investments and cash.

You understand that a portfolio consisting of a mixture of equities, fixed income, options and cash may help you mitigating risk but you also recognize that it may also reduce total returns when compared to a singular market index.

During certain times, we may limit our exposure to certain asset classes and simultaneously increase allocations in others. Conversely, we may employ short-term or opportunistic trading techniques when we determine that conditions exist.

You may create and execute a Personal Investment Objectives Statement that documents your objectives and outlines the desired investment strategy. (*item 4-Advisory Business*) You may change or make modifications to your objectives or your desired investment strategy at any time.

**Equity Strategy**

Our equity investment objective is long-term capital growth and current income.

We seek to achieve your investment objective by actively managing your portfolio with a “top-down” perspective, focusing on tactical asset allocation and proprietary security selection.

We seek to maintain diversification among and across economic sectors, industries and countries. In selecting investments for your portfolio, we will seek to add value by overweighting sectors, industries and countries that we expect to perform well and underweighting those that we expect to perform poorly.

<u>Exposure</u>: In anticipation of certain company, industry, sector, market, economic, political, or other conditions, we may invest up to 100% of your total assets, without limitation, in high-quality debt securities and money market instruments either directly or through mutual funds or ETFs. You may be invested in this manner for extended periods depending on our assessment of

market conditions. Debt securities and money market instruments include shares of other mutual funds, commercial paper, certificates of deposit, bankers' acceptances, U.S. Government securities, repurchase agreements and individual bonds. While your portfolio in a defensive position, the opportunity to achieve its investment objective may be limited.

<u>Sell Criteria</u>: We may consider the following factors when selling investments in your portfolio:

- For company specific reasons: when the market anticipates and reacts to a company-specific event;
- For top down cyclical reasons: when the market anticipates and reacts to an industry, sector, or market event;
- Uncharacteristic price movements: when clear and obvious euphoria or fear exists in the company, industry, sector or market;
- When we turn out to be wrong about some aspect of the position. We may or may not be able to determine exactly why we were wrong. However, if we suspect that we might be wrong, then it makes sense to reassess the holding and possibly sell.
- Meaningful change in a company's core business, position in the industry, corporate governance, profitability, forecasts, etc.
- When our price targets are met and we feel the position may be overvalued.

<u>Rebalancing</u>: We may rebalance individual positions within your portfolio to keep allocations aligned. Rebalancing has the effect of taking profits on out-performing positions and lowering your cost basis on under-performing positions.

<u>Turnover</u>: Our decision to trade positions in your portfolio may take into consideration the potential positive and negative effects of portfolio turnover. Portfolio turnover may vary from year to year, as well as within a year. A higher portfolio turnover rate would likely involve correspondingly greater brokerage commissions, transaction fees, income taxes, and other expenses. You recognize when we adjust your exposure, execute our sell criteria, and rebalance your account, you may benefit by aligning the portfolio to your goals but it may adversely affect you by inducing additional costs and may cause your portfolio to underperform other investments with similar investment objectives.

## Fixed Income Strategy

The fixed income portion of your portfolio is designed to provide consistent income, enhanced yield and reduced portfolio volatility. It is an important component of preserving capital and may be allocated to Investment grade bonds, Non-Investment grade bonds, US Treasury/Agency bonds, Municipal bonds, and FDIC insured Certificates of Deposit.

We positioned the duration, type, and credit quality of your portfolio based on current availability, economic forecasts, current & future interest rates, and current & future credit risks. An individual bond will generally laddered by maturity and held to maturity. We may sell prior to maturity for reasons that include credit quality deterioration, allocation change or a better value in an alternate segment of the market.

### Option Strategy

If you qualify for option trading in your portfolio, we may consider utilizing options for Conservation of Capital, Income, Growth or Speculation. These option strategies may include writing of uncovered options, creation of spreads, purchase of options, writing of covered calls and writing of cash secured puts. These techniques are designed to enhance investment performance, but they may indirectly increase a portfolio's risks and may result in higher levels of losses, higher portfolio turnover rates, additional brokerage commissions or other transaction costs.

### Alternative Investment Strategy

Alternative investments with low correlations to the stock and bond market indices can provide diversification to the portfolio and help manage the overall portfolio volatility. Such investments may include multi-strategy mutual funds, managed futures and commodities. An absolute return approach within alternative investment allocations can help manage downside exposure during weak markets. While a lower volatility profile can limit growth in strong markets it is a strategic fit for our preservation of capital portfolios.

## Item 9 – Legal & Disciplinary Information

### Legal

We are not aware that our firm or any management person are subject to any legal actions.

### Disciplinary

We are not aware that our firm or any management person are subject to any disciplinary actions.

## Item 10 - Other Financial Industry Activities and Affiliations

### Financial Industry Activities

We are not registered as a securities broker-dealer, a futures commission merchant, commodity pool operator or commodity trading advisor.

### Affiliations

We are not affiliated with any other firm.

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

**Code of Ethics**

We recognize and embrace the responsibility that we owe you, especially the avoidance of activities, interests and relationships that run contrary, or appear to run contrary to your best interests. Accordingly, all employees, associates, representatives or supervised persons of our firm have committed to a *Code of Ethics.* The *Code of Ethics* is predicated on the principle that our firm and its employees or representatives maintain a fiduciary duty to you. All individuals associated with our firm may not benefit at the expense of our clients and will act with competence, dignity and integrity in an ongoing ethical manner. A copy of this document is available for review by clients and prospective clients upon request. Our *Code of Ethics* is accepted and acknowledged annually by each individual and is designed around the following concepts:

- Place client interests ahead of yours: Employees may not benefit at the expense of clients. Employees' extreme diligence is required when making personal investments.
- Avoid taking advantage of your position: Employees must report gifts, loans, or other gratuities from individuals seeking to conduct business with our firm, or on behalf of a client.
- Maintain compliance with the Securities Laws: Employees must follow Rule 204A-1 under the Advisers Act.

**Access Person**

Our firm and its employees, representatives, associates, officers, and owners are deemed to be *Access Persons*. An *Access Person* includes any supervised person of our firm who has availability to nonpublic information regarding our clients' portfolio holdings, purchase or sale of securities or is involved in or has access to security recommendations. *Access Persons* may not purchase or sell for themselves any securities in which the client has a beneficial ownership unless the transaction occurs in an exempted security or the *Access Person* has complied with our *Personal Security Transaction Policy*.

**Participation or Interest in Client Transactions and Personal Trading**

We maintain comprehensive guidelines for all *Access Persons*. We require all *Access Persons* to report initial and annual personal security holdings and all personal transactions on a quarterly basis. In addition, all *Access Persons* must abide to a pre-clearance trade policy. This policy prevents *Access Persons* from trading the same security of our clients without first being authorized. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment. Since most *Access Person's* trades are small and infrequent, involve mutual fund trades or exchange-traded fund trades, the trades are not likely to affect the securities pricing. The Chief Compliance Officer of our firm is George

Collett; he reviews all *Access Person's* trades each quarter. The Compliance Officers trades are then subsequently reviewed by Raymond DiMuro, a principal member of the firm.

## Item 12 - Brokerage Practices

**Selecting Brokerage Firms**

We do not maintain custody of your assets that we manage or advise; although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account or participate in a limited partnership that our firm serves as general partner. (*see item 15-Custody*) Your assets must be maintained in an account at a qualified custodian, generally a broker-dealer or bank. We request that our clients use TD Ameritrade, Inc. (TDA) a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with TDA. TDA will hold your assets in a brokerage account and buy and sell securities when we instruct them to on your behalf. While we request that you use TDA as a custodian, you will decide whether to do so and will open your account with TDA by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with TDA, then we may not be able to manage your account. Even though your account is maintained at TDA, we can still use other brokers to execute trades for your account.

We seek to select a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services generally without a separate fee for custody.
- Capability to execute, clear, and settle trades for your account (buy and sell securities for your account).
- Breadth of available investment products (stocks, bonds, mutual funds, exchange traded fund, etc.)
- Quality of services.
- Reputation, financial strength, and stability.

For our clients' accounts that TDA maintains, TDA 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 TDA account. In addition to commissions, TDA charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your TDA account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have TDA execute most trades for your account.

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**Best Execution**

We have determined that having TDA execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on many relevant factors such as:

- Custodian or broker's reputation and integrity.
- Consistent ability to obtain favorable pricing.
- Reasonableness of commissions.
- Expertise and responsiveness to trade orders.

Our firm reviews the execution of trades at each custodian or broker on a quarterly basis. The review is documented in our *Compliance Manual*. Trading fees charged by the custodians is also reviewed on a quarterly basis. We do not receive any portion of any trading fees or commissions from any brokerage or custodial arrangement.

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**Research and Soft Dollar Benefits**

TDA's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through TDA include some to which we might not otherwise have access to. These services generally benefit you and your account, but TDA also makes available to us other products and services that benefit us and may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research to service all or a substantial number of our clients' accounts, including accounts not maintained at TDA. In addition to investment research, TDA also makes available software, technology and services that intend to help us manage and further develop our business enterprise. These services include:

- Access to client account data (such as duplicate trade confirmations and account statements).
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts.
- Provide pricing and other market data.
- Facilitate payment of our fees from our clients' accounts.
- Educational conferences, events and publications.
- Access to third-party vendors
- Reporting capabilities

TDA may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. TDA may also discount or waive the fees for some of these services.

The availability of these services from TDA benefits us because we do not have to produce or purchase them. We don't have to pay for TDA's services as long as our clients collectively keep a total of at least $10 million of their assets in accounts at TDA. The $10 million minimum may give us incentive to require that you maintain your account at TDA, based on our interest in receiving TDA's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of TDA as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of TDA's services.

### Order Aggregation

We may use a "block trading" or "order aggregation" trading method whenever possible and advantageous to client accounts. The method permits the efficient trading of aggregate blocks of securities composed of assets from multiple client accounts.

This trading method allows us to execute trades in a timely and equitable manner and may reduce overall commissions charged to clients for acquisition pricing. Clients that restrict us from using a particular broker-dealer for executing aggregate transactions generally will be unable to participate and will be precluded from receiving the benefits, if any.

## Item 13 - Review of Accounts

### Periodic Reviews

Account reviews are designed to ensure that the securities purchased or held in your account are consistent with your specific investment objectives as outlined in your *Personal Investment Objectives Statement*. We review our investment supervisory accounts frequently with material deposits or withdrawals daily, a general review occurring weekly, and more specific reviews at least quarterly. Annually, the investment objectives will be reviewed and revisions made, if needed, based on your changing circumstances.

All portfolios are reviewed continuously on an ongoing basis. We do not mandate a limitation of the number of client accounts assigned to any particular advisor or employee, nor is there a precise sequence or review schedule beyond the aforementioned schedule. Accounts are reviewed by two or more of the following: George Collett, Ray DiMuro, Roger Nusbaum, Marc Brock, Mary Beth Smith, Jay Rabins, or Rodney Smith.

**Review Triggers**

Account reviews are performed more frequently when conditions dictate. Some examples of conditions that may trigger a review are changes in your risk tolerance, your cash needs, your income requirements, fiscal policy, tax laws, monetary policy, or new investment information.

**Regular Reports**

We provide portfolio holdings, transaction and performance information on a market daily basis via your Secure Portal. We post quarterly performance reports to the Document Vault of your Secure Portal. TD Ameritrade provides trade confirmations, monthly account reports, and annual tax reports.

**Secure Online Portal**

We provide clients with access to a secure online portal that provides current (latest market close) data relating to their account(s) available to them conveniently through an encrypted internet service.

## Item 14 - Client Referrals and Other Compensation

**Incoming Referrals**

We have been fortunate to receive many client referrals. These referrals come from current clients, business professionals, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

**Referrals Out**

We do not accept referral fees or any form of payment from other professionals if we referred you to them.

**Other Compensation**

We receive an economic benefit from TDA in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at TDA. 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 TDA's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Some members of our firm may receive additional compensation through advertising revenue created on privately owned blogs that are unrelated to our firm.

Some members of our firm may receive fees for third party or syndicated journalistic activities that are unrelated to our Firm.

## Item 15 - Custody

### Account Statements

We do not take custody of assets in your account. This means that we do not accept, or hold, either directly or indirectly, your funds or securities. Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct the qualified custodian, to deduct our advisory fees directly from your account and if you grant us authority to move your money to another person's account or participate in a limited partnership where our firm serves as general partner. Having authority to place trades in your account does not mean that we have custody of the account assets (*see item 16-Investment Discretion*). TDA maintains actual custody of your assets. You will receive account statements directly from TDA at least quarterly. They will be sent to the email or postal mailing address you provided to TDA on the account applications. You should carefully review those statements promptly when your receive them. We also urge you to compare TDA's account statements to the periodic portfolio reports you may receive from us.

## Item 16 - Investment Discretion

### Discretionary Authority for Trading

We may accept discretionary authority to manage securities accounts on your behalf. You delegate to us the authority to determine, without obtaining your specific consent, the securities to be bought or sold, the amount of the securities to be bought or sold, the timing of the transactions, and the brokerage. Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the *Personal Investment Objectives Statement* that you have approved in writing. Such discretionary authority is exercised in a manner that we believe to be consistent with your investment objectives. You may limit or restrict our discretionary authority through specific written instruction.

### Limited Power of Attorney

We use a limited power of attorney in addition to trading authorization for your discretionary authority. The limited power of attorney you sign authorizes only TDA to allow us to execute the trades we make consistent to the implementation of your approved Personal Investment Objectives Statement.

## Item 17 - Voting Client Securities

### Proxy Votes

Despite our discretionary control of your accounts, you maintain your proxy voting rights of securities. You are expected to vote your own proxies which will be provided to you directly from TDA or transfer agent. We do not accept authority to vote proxies on securities or class action voting. If we inadvertently receive proxy or class action voting for a security held in your account we will immediately forward it to you.

## Item 18 - Financial Information

### Financial Condition

At this time, we are not aware of any financial impairment that may preclude us from meeting our contractual commitments. We are not or have never have been involved in bankruptcy proceedings as a debtor.