

## ***Cannon Beach Financial Advisors***

*a Registered Investment Adviser*

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03/20/2026

*This brochure provides information about the qualifications and business practices of Cannon Beach Consultatnts, Inc., doing business as Cannon Beach Financial Advisors (hereinafter "Cannon Beach Financial Advisors" or the "Firm"). 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. Additional information about the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.*

## Item 2. Material Changes

In this Item, Cannon Beach Financial Advisors is required to discuss any material changes that have been made to the brochure since the last annual amendment. Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material Changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

While certain information has been updated, the following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated 03/31/2025:

1. *Item 7 (Types of Clients) - The Firm has established certain fee minimum requirements for service(s) provided*
2. *Item 15 (Custody) - The Firm has custody through standing letters of authorization (SOLA) provided by our custodian*
3. *Item 17 (Voting Client Securities) - The Firm does not vote proxies for our clients' holdings*

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## Item 4. Advisory Business

Cannon Beach Consultants, Inc., is an SEC-registered investment adviser with its principal place of business located in CA. Cannon Beach Consultants, Inc. began conducting business in 2006 as Chang Moore Jones Inc, and subsequently changed its formal business name to Cannon Beach Consultants Inc in 2011. As of 5/31/2014, we modified our operating business name to Cannon Beach Consultants Inc., dba Cannon Beach Financial Advisors.

As of March 20, 2026, Cannon Beach Financial Advisors had \$209,225,495 regulatory assets under management (RAUM), \$206,753,207 of which was managed on a discretionary basis and \$2,472,288 of which was managed on a non-discretionary basis.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Junmin (NMN) Chang, CEO/CCO
- Gregory S. Rogers, President/COO

Cannon Beach Financial Advisors offers the following advisory services to our clients:

### Portfolio Management Services

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#### *Individual Portfolio Management ("Core" and "Core Plus")*

Our Firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)

- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Options contracts on commodities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

#### *Differences between Core Portfolio Core Plus Portfolio*

The Core Portfolio is made up of Mutual Funds, ETFs, Mutual Funds, basic sector positions, liquid alternative investments and incorporates existing legacy holdings. Clients invested in the Core Portfolio are typically less experienced investors with minimal legacy holdings that prefer simpler investment strategies. The Core Plus Portfolio is intended for more experienced investors with more extensive legacy holdings that request individual stock selections and management. The Core Plus Portfolio, therefore, adds legacy individual security management and active sector strategies.

### **Financial Planning**

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We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client.

Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to help the client achieve his or her financial goals and objectives. In general, the financial plan can address any or all of the following areas:

Financial Planning Solutions - We provide an integrated approach to your financial goals and needs

*Annual Financial Health Review*

- Current cash flow
- Cash flow strategy - "Income Statement"
- Asset and liability review - "Balance Sheet"

*Asset and Investment Portfolio Planning*

- Strategic investment portfolio development
- Risk assessment and review
- Tax efficiency planning

*Retirement/Financial Independence Scenarios*

- Core lifestyle planning and review
- Retirement income planning
- Part-time/rental/other income sources
- Pension, Medicare, and Social Security review

*Stock Option and Deferred Compensation Planning*

- Incorporation into overall financial plan
- Valuation approaches
- Exercise strategies

*Accumulation Goals*

- Children's education planning (K-12, college, grad/post-grad)
- Home purchase(s)/home improvements
- Auto/major purchase(s)
- Travel
- Major life events
- Small business opportunities

*"What If" Scenarios*

- Emergency funds
- Protection planning - life, disability, long-term care, health, property/casualty, E&O, etc.

*Estate and Beneficiary Planning*

- Beneficiary designation review

- Gifting and donation planning
- Wealth transfer opportunities

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, and/or insurance agent. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically the financial plan is presented to the client within twelve months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

In performing these services, we are not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and we are expressly authorized to rely on such information. Clients are advised that a conflict of interest exists for our Firm to recommend that clients engage us to provide (or continue to provide) additional services for compensation, including adding more assets to our investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by us under a financial planning or consulting engagement.

### **Consulting Services**

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Clients can also receive investment advice on a more focused basis. This can include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## Item 5. Fees and Compensation

### Individual Portfolio Management Fees

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The Firm offers individual portfolio management services for a fee based upon assets under management. The fee varies depending on the portfolio type (Core vs. Core Plus). Each portfolio type has two “Tiers” of fees. Tier 1 is discounted (compared to Tier 2) for those clients have engaged the Firm to provide ongoing financial planning services.

Billing is done quarterly, in advance. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is not adjusted to reflect the interim change in portfolio value. Cash in a client’s account is included in determining the valuation for billing purposes. We may, in our sole discretion, exclude cash in determining the fee, especially where a client has a high percentage of cash for reasons other than inclusion in the current assets under management. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

#### *Cannon Beach Core Plus*

The annualized fees for "Cannon Beach Core Plus" are charged as a percentage of assets under management, according to the following schedules:

#### TIER 2

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$500,000	1.200%
\$500,001 - \$1,000,000	0.950%
\$1,000,001 - \$2,500,000	0.825%
Above \$2,500,000	0.700%

#### TIER 1

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$500,000	1.100%
\$500,001 - \$1,000,000	0.825%
\$1,000,001 - \$2,500,000	0.725%
Above \$2,500,000	0.625%

Active retirement plan assets are assessed an annual flat 0.38%; invoiced quarterly

*Cannon Beach Core*

The annualized fees for "Cannon Beach Core" are charged as a percentage of assets under management, according to the following schedules:

TIER 2

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$500,000	0.975%
\$500,001 - \$1,000,000	0.750%
\$1,000,001 - \$2,500,000	0.650%
Above \$2,500,000	0.575%

TIER 1

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$500,000	0.850%
\$500,001 - \$1,000,000	0.650%
\$1,000,001 - \$2,500,000	0.575%
Above \$2,500,000	0.500%

Active retirement plan assets are assessed an annual flat 0.38%; invoiced quarterly

**Financial Planning Fees**

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Cannon Beach Financial Advisors annual Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client’s circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees can be calculated and charged on an hourly basis, at \$390 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

Our Financial Planning fees can be calculated and charged on a fixed fee basis, typically ranging from \$1,800 to \$25,000, depending on the specific arrangement reached with the client. Fees are typically bill *pro rata* in 90-day intervals, in advance, in the first year of services. After the first year, the billing is done *pro rata* monthly, in advance.

We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. The balance is due in two additional installments over the following months until the plan is completed.

### **Consulting Services Fees**

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Cannon Beach Financial Advisors Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Services fees can be calculated and charged on an hourly basis, at \$390 per hour. An estimate for the total hours is determined at the start of the advisory relationship.

Our Consulting Services fees can be calculated and charged on a fixed fee basis, typically ranging from \$1,800 to \$25,000 subject to the specific arrangement reached with the client. We may request a retainer for the consulting services; however, advance payment will never exceed \$1,200 for work that will not be completed within six months.

### **Fee Discretion**

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We may, in our sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention, pro bono activities, or competitive purposes.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to Cannon Beach Financial Advisors, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions, transaction fees, custodial fees, fees charged by separate account managers used by us to manage a client's account, margin and other borrowing costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our brokerage practices are described at length in Item 12, below.

**Direct Fee Debit**

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Clients provide us with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which we retain the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to us.

**Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to our right to terminate an account. Additions can be in cash or securities provided that we reserve the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients can withdraw account assets on notice to us, subject to the usual and customary securities settlement procedures. However, we design our portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

**Item 6. Performance-Based Fees and Side-by-Side Management**

Cannon Beach Financial Advisors does not charge performance-based fees.

**Item 7. Types of Clients**

Cannon Beach Financial Advisors offers services to individuals, high net worth individuals, small business clients and their employees.

**Minimum Account Requirements**

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Cannon Beach Financial Advisors does not impose a stated minimum portfolio value for starting and maintaining an investment management relationship. However, we do have a stated fee minimum for service(s) provided. We reserve the right to set a minimum for certain clients and may waive that minimum for certain legacy clients.

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

### Methods of Analysis

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We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk of using qualitative analysis is that our subjective judgment may prove incorrect.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-

available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### Investment Strategies

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We may use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner.

We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spread strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

### **Risk of Loss**

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The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to our investment management activities. Clients should consult with their legal, tax, and other advisors before engaging us to provide investment management services on their behalf.

#### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of our recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that we will be able to predict these price movements accurately or capitalize on any such assumptions.

### *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

### *Equity-Related Securities and Instruments*

The Firm may take long and short positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

### *Fixed Income Securities*

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.

- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.
- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.
- Liquidity risk. Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.

- Call risk. Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.
- Prepayment risk. When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.
- Extension risk. When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential for price declines.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Finally, some mutual funds and ETFs may have lock-up periods that restrict an investor from selling their position for a period of time. Other mutual funds and ETFs could also have early redemption fees that are taken if the investor sells their position before a certain amount of time.

#### *Use of Independent Managers*

As stated above, Cannon Beach Financial Advisors selects certain Independent Managers to manage a portion of its clients' assets. In these situations, Cannon Beach Financial Advisors continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, Cannon Beach Financial Advisors does not have the ability to supervise the Independent Managers on a day-to-day basis.

#### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (i.e., limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

#### *Short Sales*

Short selling involves the sale of a security that the seller does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the seller must borrow securities from a third party lender. The seller subsequently returns the borrowed securities to the lender by delivering to the lender securities it previously owned or by purchasing securities in the open market. The seller must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains its right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the seller a fee for the use of the seller's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors. Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. A client's account may suffer significant losses if a security lender demands return of the lent securities and an alternative lending

*Cyber Security*

With the increased use of technologies such as the internet to conduct business, we and other service providers used by us, of as well as the underlying investments made by clients are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and may arise from external or internal sources. Cyber incidents have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the release of investor information or confidential business information, interference with the ability to calculate the value of client investments, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines or penalties, reputation damage, or additional compliance costs. We will seek to implement safeguards to protect clients against cyberattacks. However, there can be no assurance that we will be successful in preventing the occurrence of cyberattacks or mitigating the impact of cyberattacks.

*Interest Rate Risks*

Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by clients.

**Item 9. Disciplinary Information**

We have not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

**Item 10. Other Financial Industry Activities and Affiliations**

This item requires investment advisers to disclose certain financial industry activities and affiliations. We do not have any other financial industry activities or affiliations that need to be disclosed.

**Item 11. Code of Ethics**

We have adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. Our Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by us or any of its supervised persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of our personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, our supervised persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with our policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When we are engaging in or considering a transaction in any security on behalf of a client, no supervised person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the supervised person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact us to request a copy of its Code of Ethics by contacting us at the phone number on the cover page of this brochure.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker-Dealers for Client Transactions**

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Cannon Beach Financial Advisors recommends that clients utilize the custody, brokerage and clearing services of National Financial Services LLC and Fidelity Brokerage Services LLC (together with affiliates, "Fidelity") for investment management accounts. The final decision to custody assets with Fidelity is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. We are independently owned and operated and not affiliated with Fidelity. Fidelity provides us with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which we consider in recommending Fidelity or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Fidelity enables us to

obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Fidelity may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Cannon Beach Financial Advisors's clients to Fidelity comply with our duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Cannon Beach Financial Advisors determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Cannon Beach Financial Advisors seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Cannon Beach Financial Advisors periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

#### **Software and Support Provided by Financial Institutions**

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Cannon Beach Financial Advisors receives without cost from Fidelity administrative support, brokerage support, computer software, related systems support, research and other third-party support as further described below (together "Support") which allow Cannon Beach Financial Advisors to better monitor client accounts maintained at Fidelity and otherwise conduct its business. Cannon Beach Financial Advisors receives the Support without cost because we renders investment management services to clients that maintain assets at Fidelity. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits Cannon Beach Financial Advisors, but not its clients directly. Clients should be aware that Cannon Beach Financial Advisors's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits will influence our choice of broker-dealer over another that does not furnish similar software, systems support or services. In fulfilling its duties to its clients, Cannon Beach Financial Advisors endeavors at all times to put the interests of its clients first and has determined that the recommendation of Fidelity is in the best interest of clients and satisfies our duty to seek best execution.

Specifically, Cannon Beach Financial Advisors receives the following benefits from Fidelity: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at Fidelity. Fidelity's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained in its custody, Fidelity generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts.

Fidelity also makes available to us other products and services that benefit us but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Fidelity. Other potential benefits may include occasional business entertainment of personnel of Cannon Beach Financial Advisors by Fidelity personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Cannon Beach Financial Advisors in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our clients' accounts, including accounts not maintained at Fidelity. Fidelity also makes available to Cannon Beach Financial Advisors other services intended to help us manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. While, as a fiduciary, Cannon Beach Financial Advisors endeavors to act in its clients' best interests, our recommendation that clients maintain their assets in accounts at Fidelity may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Fidelity, which creates a conflict of interest.

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**Brokerage for Client Referrals**

Cannon Beach Financial Advisors does not consider, in selecting or recommending broker-dealers, whether we receive client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

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The client may direct Cannon Beach Financial Advisors in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and we will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by Cannon Beach Financial Advisors (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Cannon Beach Financial Advisors may decline a client’s request to direct brokerage if, in our sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Trade Aggregation**

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Transactions for each client will be effected independently, unless Cannon Beach Financial Advisors decides to purchase or sell the same securities for several clients at approximately the same time. Cannon Beach Financial Advisors may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among Cannon Beach Financial Advisors’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which Cannon Beach Financial Advisors’s Supervised Persons may invest, we do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Cannon Beach Financial Advisors does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that we determine that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or

more accounts, we may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## Item 13. Review of Accounts

### Account Reviews and Reports

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#### \*\*\* Investment Management Services Programs \*\*\*

**REVIEWS:** The performance of the registered investment adviser(s) selected to manage client portfolios within our Manager of Managers Program is continually monitored by Cannon Beach Financial Advisors. Furthermore, accounts within this program are formally reviewed at least quarterly. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by the lead advisor for each respective client household group.

**REPORTS:** In addition, to the monthly statements and confirmations of transactions that these clients receive from Fidelity, Cannon Beach Financial Advisors provides our Investment Services clients with reports as contracted for at the inception of the advisory relationship.

#### \*\*\* Financial Planning Services \*\*\*

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients usually receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

#### \*\*\* Consulting Services \*\*\*

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

**REPORTS:** These client accounts may or may not receive reports as contracted for at the inception of the advisory engagement, and due to the nature of the service.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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We do not currently provide compensation to any third-party solicitors for client referrals.

### Other Compensation

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We receive economic benefits from Fidelity. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

## Item 15. Custody

Cannon Beach Financial Advisors is deemed to have custody of client funds and securities because we are given the ability to debit client accounts for payment of our fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

### Standing Letters of Authorization

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Cannon Beach Financial Advisors also has custody due to clients giving us limited power of attorney in a standing letter of authorization (“SLOA”) to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, we will implement the steps in the SEC’s no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize us to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) we will have no authority or ability to designate or change the identity or any information about the third party; vi) we will keep records showing that the third party is not a related party of us or located at the same address as us; and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.

## Item 16. Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made; and
- The separate account managers to be hired or fired.

Clients give us discretionary authority when they sign a discretionary agreement with our Firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## Item 17. Voting Client Securities

We do not vote proxies for our client accounts. You always have the right to vote proxies yourself. Clients are responsible for voting proxies.

We may vote proxies in the best interests of its clients and in accordance with our established policies and procedures, and will disclose those holdings when appropriate. Our Firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our Firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Chief Compliance Officer by telephone, email ([Info@CannonBeachCo.com](mailto:Info@CannonBeachCo.com)), or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

With respect to ERISA accounts, we may vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact Chief Compliance Officer by telephone, email ([Info@CannonBeachCo.com](mailto:Info@CannonBeachCo.com)), or in writing.

We do not vote proxies for the following types of accounts: Specific legacy holdings including mutual funds, individual securities, and employee stock purchase plans (ESPP) and employee stock option plans (ESOP, RSU, and the like)

For accounts where we do not vote proxies, our Firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

You can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. You can also instruct us on how to cast your vote in a particular proxy contest by contacting us at 888-839-9399 or [Info@CannonBeachCo.com](mailto:Info@CannonBeachCo.com).

**Item 18. Financial Information**

Cannon Beach Financial Advisors is not required to disclose any financial information listed in the instructions to Item 18 because:

- We do not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- We do not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- We have not been the subject of a bankruptcy petition at any time during the past ten years.