

# Income Focus Portfolio Management, LLC

1110 Maple Way  
Jackson, WY 83001  
Phone (307) 733-5100  
e-Fax (800) 544-7903

Mailing Address:  
PO Box 7376  
Jackson, WY 83002

email: [david.elan@incomefocus.com](mailto:david.elan@incomefocus.com)

[www.incomefocus.com](http://www.incomefocus.com)

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## **FOR ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Income Focus Portfolio Management, LLC. If you have any questions about the contents of this brochure, please contact us at (307) 733-5100 or by e-mail at [david.elan@incomefocus.com](mailto:david.elan@incomefocus.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Income Focus Portfolio Management, LLC also is available on the SEC's website at [www.adviserinfo.gov](http://www.adviserinfo.gov).

## **Item 2 Material Changes**

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

Since the filing of our last annual updating amendment, dated February 4, 2021, we have no material changes to report.

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## Item 4 Description of Advisory Business

Income Focus Portfolio Management, LLC ("Income Focus or "the firm") is an investment adviser registered with the Securities and Exchange Commission (the "SEC"), with its principal place of business in the town of Jackson, Wyoming. Income Focus began conducting business on November 12, 2012.

David N. Elan is the managing member and holds 100% of the membership interests.

Income Focus concentrates on the management of tax-free and taxable municipal bonds, corporate bonds, dividend paying stocks including preferred stock, and equity index funds, on a discretionary basis. Our clients include individuals, trusts, pension and profit sharing plans, non-profit, and charitable organizations. The firm serves clients directly, and may be engaged as a sub-adviser by other registered investment advisers, wealth managers, and family offices. In applying its management practices, the firm's primary objectives are the production of income and the return of principal, and the protection of the purchasing power of a portfolio over time.

Taxable clients may request that their state of residence be a factor in the choice of bonds purchased for them, and clients may request reasonable maximum maturities for bonds purchased for them. When initially building individual portfolios, and later replacing bonds that have been called or have matured, the firm will consider the state tax consequences of a client's ownership of a particular bond along with other considerations such as the relative importance of geographic and issuer diversification, and the market supply of appropriate bonds. Each bond purchased for a client is intended to be held to maturity or earlier call, although we may sell a bond prior to maturity or call when we believe a sale is in the best interest of the client. Income Focus will honor reasonable restrictions on investing in certain securities or types of securities imposed by the client in writing.

Clients may request that the firm manage portfolios of individual equity, option, and fixed income securities.

**Client Responsibility.** In performing its services, Income Focus shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely upon the information provided. In addition, each client is advised that it remains the client's responsibility to promptly notify Income Focus if there is any change in the client's financial situation or investment objectives for the purpose of reviewing, evaluating or revising Income Focus's previous recommendations and/or services.

### IRA Rollover Recommendations

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);

- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you execute with our firm. This practice presents a conflict of interest because we have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax advisor.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments. For example, (a) employer retirement plans generally have a more limited investment menu than IRAs, but (b) employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401(k) or retirement account, you could potentially delay your required minimum distribution beyond age 72.
6. Your 401(k) may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.

7. You may be able to take out a loan on your 401(k), but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.

### **Assets Under Management**

As of January 14, 2022, we provide continuous management services for \$224,586,776 in client assets on a discretionary basis.

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

#### *Income Focus Portfolio Management Managed Portfolios*

On the firm's directly managed portfolios, Income Focus will assess an annual advisory fee of 36 basis points (0.36%) on the assets under management, payable monthly in arrears. Partial months will be prorated or combined with the following month. Our fee is not assessed on cash, money market funds, and other cash equivalents. Income Focus may deduct fees directly from the client's custodial account, or bill clients or their primary advisor directly. The manner in which fees are deducted or billed is detailed in the signed agreement with the client or the client's primary adviser.

Because we do not assess an advisory fee on un-invested cash in the firm's managed portfolios, we have an incentive to invest clients' accounts quickly, regardless of the availability of appropriate bonds or other securities. We are aware of this conflict of interest, which we address through the adoption of a Code of Ethics, more fully described in Item 11 of this Brochure. In short, Income Focus owes fiduciary duties to its clients, and whenever our interests conflict with the interest of clients, we will use good faith to act solely in the best interests of our clients.

Fees paid to Income Focus are exclusive of any custodial and transactions costs paid to the client's custodian or broker, or to third-party brokers who execute transactions on behalf of the client through the investment discretion granted to Income Focus. Please refer to the "Brokerage Practices", Item 12 of this Brochure for additional information.

Advisory agreements cannot be assigned without the approval of the client or the client's primary adviser. Either Income Focus or the client may terminate the advisory agreement upon thirty days prior written notice. In the event of termination, Income Focus will send the client, or the client's primary adviser, a pro-rated final bill for services through the termination date.

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

Income Focus does not have any performance-based fee arrangements. "Side-by-side management" refers to an arrangement in which the same firm manages accounts that are billed based on a percentage of the assets under management, and simultaneously manages other accounts upon which fees are assessed on a performance fee basis. Since the firm has no performance-based fee accounts, it has no side-by-side management.

## Item 7 Types of Clients

Income Focus currently serves individual clients, including their related trusts, non-profit and charitable organizations, and pension, 401(k), SIMPLE, and profit sharing plans. The firm may also serve corporations and other business entities. The firm serves clients directly, and may also be engaged as a sub-adviser by other registered investment advisers, wealth managers, and family offices. Typically, the minimum dollar amount for direct clients to open or maintain a relationship will be \$250,000. We may waive the typical minimums at our discretion.

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

### *Methods of Analysis*

The firm analyzes each bond based upon these four primary risks to fixed income investments: credit or default risk, interest rate risk, call (early redemption) risk, and inflation risk. In addition to these four types of risks are two additional kinds of risk that the firm accepts as inherent to its portfolios: tax risk (in the case of tax-exempt bonds) and liquidity risk. Each type of risk is described in more detail below.

- Credit or default risk - The risk that an issuer of a fixed income security is unable to make timely payments of interest and principal. Even though an actual default does not occur, the market perception of a bond's credit risk may impact prices and liquidity.
- Interest rate risk - Bond prices move inversely with interest rates. That is, when interest rates rise, most bond prices fall, and vice versa. Duration is a commonly used measure of a bond's sensitivity to changes in interest rates, describing the percentage change of a bond or a bond portfolio to a 1% change in market yields. Bonds with longer maturities will, all else being equal, have higher durations than bonds of shorter maturities, and will fall more in value when interest rates rise, and rise more in value when interest rates fall.
- Call (early redemption) risk - The risk that an issuer redeems the bond prior to maturity. Usually, callable bonds are redeemed when market interest rates are lower than the interest rate being paid by the issuer (similar to the motivation for a homeowner to refinance a mortgage when rates drop) which subjects the bond owner to the risk that the redeemed principal will be reinvested at a lower rate than was being paid by the redeemed bond.
- Inflation risk - When inflation occurs after a fixed rate bond has been purchased, the purchasing power of the bond's cash flows is diminished.
- Tax risk - The risk that the tax-exempt status of municipal bonds may change, together with the effect that changing tax rates have upon the values of tax-exempt bonds.
- Liquidity risk - A common attribute among the firm's accounts will be the investment trade-off of income for liquidity. The purchases of odd lots, and the purchase of smaller, less liquid issues, often carry with it a higher yield-to-maturity or yield-to-call in exchange for reduced liquidity. The firm recommends clients construct their overall asset allocation accordingly, with an appropriate allocation to cash, near-cash, and highly liquid securities as a buffer against an unplanned need for liquidity from their Income Focus portfolio, which may involve selling bonds, intended to be held to maturity or call, at unattractive prices.

### *Fixed Income Investment Strategies*

Income Focus manages portfolios of tax-exempt municipal bonds, taxable municipal bonds, and corporate bonds.

The particular bonds owned by clients will usually vary from account to account. This variance is attributable to many factors, including the taxability of income of particular bonds, which bonds were available for purchase during the initial investment period and subsequent calls and maturities, the state of residence of the client, client requests regarding maximum maturities, and decisions by Income Focus regarding risk management, diversification, and the attractiveness of individual bonds. Among the other factors guiding our decisions may be client questionnaires, and in the case of sub-advised accounts, guidance from the client's primary adviser. The firm also relies on research materials prepared by others and current filings with the Municipal Securities Rulemaking Board.

The firm may purchase bonds with maturity dates beyond the maximum maturity date requested by the client when the firm believes there is a high probability the bond will be called sooner than the maximum maturity date requested by the client. Should interest rates rise, the firm's assessment that a bond has a high probability of being called may prove incorrect.

The firm's investment strategies will often utilize less liquid securities and the purchase of odd lots, which are generally sold at lower prices and higher yields than larger, round lots of the same bond. In addition, the firm may take what it considers to be prudent credit decisions by buying bonds that have not been rated, and bonds rated in the lower tiers of investment grade quality, and higher tiers of below investment grade quality, where ratings may be out of date, there is more than one obligor, meaningful insurance, forecast changes to economic or business conditions, or other factors that give a particular bond an attractive risk/reward balance.

Unlike equity markets, where bid and ask prices are widely disseminated and market makers stand ready to facilitate trades, the bond market is a so-called "over the counter" market where sellers and buyers are often separated by intermediaries, trades are not disclosed in real time, and prices are negotiated for each transaction. The resulting market inefficiencies create opportunities that the firm expects to take advantage of. Pricing disparities are especially likely to exist in the case of odd lots, small positions that institutional investors find impractical to add to their portfolios. By buying odd lots and holding the bonds to maturity or call, Income Focus expects its clients' portfolios will have higher yields and similar credit quality to investment alternatives offered by mutual funds with similar durations. These enhanced portfolio characteristics may come at the cost of decreased liquidity. Unlike a mutual fund, which can be sold any market day at its net asset value, a portfolio holding many small positions of individual bonds can expect to be sold at a discount if liquidated earlier than the bond's maturity or earlier call.

### *Equity Investment Strategies*

Income Focus manages portfolios of global equity indices, using exchange-traded funds to approximate a market capitalization weighted world equity benchmark, but with minor over and under weights based on our belief of where economic growth is likely to be fastest, and valuations are likely to lead to price appreciation.

Income Focus manages portfolios of individual dividend paying stocks, including preferred stock that we believe will maintain a current dividend, regularly grow its dividend, or both. Occasionally, an individual stock that does not pay a dividend may be added to a client's portfolio when we believe the security is likely to rise in value.,

Investments in equities, whether directly, or through equity-based securities, including exchange-traded funds, are subject to systematic and market risk. Prices will both rise and fall, and there is no assurance that returns will be positive.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

**Options Contracts:** Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Selling options is more complicated and can be even riskier.

The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put

(for a put option).

- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk substantial losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
- Writers of call options could lose more money than a short seller of that stock could on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.

#### *Risk of Loss*

Investments in bonds and bond-based securities, equities, and equity-based securities are subject to the risks described above, and there can be no assurance that client portfolios will meet their investment objectives, or that investment will not lose money.

## **Item 9 Disciplinary Information**

Income Focus has no disciplinary events to report.

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

Neither Income Focus nor its management person has any other financial industry activities or affiliations to report.

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

### *Code of Ethics and Personal Trading*

Income Focus has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. The Code has three primary purposes: (i) to assist Income Focus in complying with applicable laws and regulations governing its investment advisory business, (ii) to set forth guidelines for professional standards for the firm's associated persons, and (iii) to set forth policies and procedures to monitor and review personal trading activities of associated persons.

More specifically, the Income Focus Code of Ethics requires that associated persons and employees:

- Place the interests of clients, the integrity of the investment profession, and the interests of the firm above one's own personal interests;
- Avoid or disclose any actual or potential conflict of interest;
- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Conduct all personal securities transactions in a manner consistent with the Code;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on oneself and the profession;
- Maintain and improve his/her professional competence and strive to maintain and improve the competence of other investment professionals;
- Comply with applicable provisions of the federal securities laws.

### *Interest in Client Transactions*

Income Focus employees and their families, trusts, and other related entities, may purchase the same securities as are purchased for clients. The firm will trade securities in client accounts either at the same time as (for example, in a block trade), as employee or employee-related accounts, or on a different trading day.

## Item 12 Brokerage Practices

Income Focus may assist a client in establishing an account with a qualified custodian with whom the firm has an existing relationship. While there is no direct link with the investment advice given, economic benefits may be received by the firm which would not be received if Income Focus did not place client assets at the selected custodian. These benefits include receipt of duplicate client confirmations and duplicate statements; access to trading desks exclusively serving institutional managers; the ability to have investment advisory fees deducted directly from client accounts; receipt of compliance publications; the ability to view account balances and activity online; assistance with back-office functions, recordkeeping and client reporting, along with other intangible benefits. The benefits received may or may not depend upon the amount of assets placed at a particular custodian. When Income Focus receives these benefits, the benefits may be used to facilitate the management of not only the client accounts responsible for generating the benefits, but all client accounts.

As a result of receiving benefits and services from the custodians with whom Income Focus has business relationships, the firm may have an incentive to expand or continue to use the custodian's services. The firm is aware of this conflict of interest, and has determined that its business arrangements with custodians are in the best interest of its clients, and satisfy the firm's obligations to its clients, including the obligation to seek best execution, as discussed below. The firm periodically reviews these business relationships to ensure that they continue to support the best interest of the firm's clients.

In selecting broker-dealers for the execution of client transactions, the firm's guiding principle is to seek to obtain the best overall execution for each client on each trade. Income Focus considers a number of factors, including the ability of the dealer to settle the trade promptly and accurately, the financial standing of the dealer, the ability of the dealer to commit capital, the firm's past experience with similar trades and other factors that may be unique to a particular order. In recognition of the value of these qualitative factors, Income Focus may cause clients to pay markups or markdowns that differ from the most favorable cost that might otherwise be available for any given trade.

Income Focus may receive research from broker-dealers engaged in the sales and purchase of equity and fixed income securities that is not available to the general public. The firm does not direct trades in order to obtain this research, and to the extent the firm receives this research, the research may be used to facilitate the management of all client accounts.

Whenever possible, and advantageous to clients, Income Focus will combine orders for clients. The combining of orders may allow the firm to achieve lower transaction costs and more efficient execution than would be the case if each individual client order were placed separately with one or several broker-dealers. Clients may also be able to achieve lower trade execution prices as a result of this practice.

Income Focus may use bid wanted platforms when soliciting bids for bonds being sold. Using a bid wanted platform expands the number of broker-dealers alerted and responding to our bid wanted and helps ensure the firm will receive an acceptable bid.

Subject to any contractual restrictions, client directions or requirements under ERISA, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, Income Focus may conduct cross-trades between client accounts. All cross trades must be beneficial to both parties and adhere to all investment objectives and trade allocation guidelines. Transaction prices will be based on prices provided by independent third party pricing services. All cross trades will be processed through broker-dealers not affiliated with Income Focus.

If Income Focus sells equity, exchange-traded funds, mutual funds, or other non-fixed income securities on the client's behalf, it will do so with the broker or dealer affiliate of the client's custodian. Income Focus executes these sales as a courtesy and the assets are not considered managed by Income Focus until such sales are completed. Clients should be aware that Income Focus will not seek best execution on these courtesy sales, though the firm expects clients will receive favorable pricing, as these transactions will be placed with the same broker-dealer the firm uses for its primary services to clients, through which the firm does seek best execution.

### **Brokerage for Client Referrals**

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

### **Mutual Fund Share Classes**

Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When we purchase, or recommend the purchase of mutual funds for a client, we select the share class that is deemed to be in the client's best interest, taking into consideration cost, tax implications, and other factors. When the fund is available for purchase at net asset value, we will purchase, or recommend the purchase of the fund at net asset value. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges.

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

Accounts will be reviewed at least quarterly, but may be reviewed more frequently if: (i) requested by the client or the client's primary adviser; (ii) upon receipt of information material to the management of the account(s); or (iii) at any time such review is deemed necessary or advisable by Income Focus. David N. Elan, the firm's managing member, reviews all accounts.

Qualified custodians of accounts are responsible for providing monthly or quarterly account statements which reflect the positions and then current pricing in each account, together with all transactions in each account, including interest earned and advisory fees paid from an account. Account custodians also provide confirmations of all trading activities, and year-end tax statements such as 1099 forms. Clients are encouraged to review the statements they receive from the qualified custodian.

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

Income Focus does not directly or indirectly compensate any person for client referrals, nor does it receive an economic benefit from any non-client for the provision of advisory services to its clients.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## **Item 15 Custody**

Income Focus is deemed to have custody of client funds by virtue of its ability to withdraw advisory fees directly from client accounts, as disclosed in the "Fees and Compensation" section (Item 5) of this Brochure, as authorized under the specific agreement with each client. During this billing process, the client's custodian is advised of the amount of the fee to be deducted from the client's account. At least quarterly, the custodian is required to send directly to the client a statement showing all transactions, including interest earned and fee deductions, made within the account during the reporting period. Custodians do not verify fee calculations and clients are encouraged to check that a fee is properly calculated. Clients should contact the firm if they have questions concerning the advisory fee amount.

## **Trustee Services**

Persons associated with our firm may serve as trustees to certain accounts for which we also provide investment advisory services. In all cases, the persons associated with our firm have been appointed trustee as a result of a family or personal relationship with the trust grantor and/or beneficiary and not as a result of employment with our firm. Therefore, we are not deemed to have custody over the advisory accounts for which persons associated with our firm serve as trustee.

## **Item 16 Investment Discretion**

Income Focus will be granted the authority by its clients to determine, without further or specific consent, the securities to be bought or sold, the amounts of those securities, the broker-dealers to be used to complete those trades, and commission rates to be paid. Discretionary authority is granted to Income Focus by the client via a written agreement giving Income Focus the authority to carry out various activities in the account, generally including trade execution and the withdrawal of advisory fees directly from the client account.

Income Focus does not have the authority to direct withdrawals from the account, other than for the collection of advisory fees, or pursuant to first party standing instructions under which electronic funds transfer or federal fund wire links have been established between a client's bank account and an identically titled or owned account managed by the firm. In the latter case, there is a written authorization signed by the client, and provided to the sending custodian, stating with particularity the name and account numbers of sending and receiving accounts (including the ABA routing number(s) or name(s) of the receiving custodian) such that the sending custodian has a record that the client has identified the accounts for which the transfer is being effected as belonging to the client.

## **Item 17 Voting Client Securities**

In accordance with Income Focus' investment advisory agreement with clients, including clients' primary advisers, Income Focus does not vote proxies related to securities held in client accounts. The custodian of the account will normally provide proxy material directly to the client. Clients may contact Income Focus with questions relating to proxy procedures and proposals for its opinion as to the best course of action.

## **Item 18 Financial Information**

Income Focus has no financial commitment that impairs its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy petition.

We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.