

# **Guidance Capital, Inc.**

## **Form ADV Part 2A – Disclosure Brochure**

March 1, 2024

This Form ADV Part 2A (“Disclosure Brochure”) provides information about the qualifications and business practices of Guidance Capital, Inc. (“Guidance Capital” or the “Advisor”). If you have any questions about the content of this Disclosure Brochure, please contact the Advisor at (502) 813-2100.

Guidance Capital is a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”). The information in this Disclosure Brochure has not been approved or verified by the SEC or by any state securities authority. Registration of an investment advisor does not imply any specific level of skill or training. This Disclosure Brochure provides information about Guidance Capital to assist you in determining whether to retain the Advisor.

Additional information about Guidance Capital and its Advisory Persons is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with the Advisor’s firm name or CRD# 323541.

Guidance Capital, Inc.  
2020 High Wickham Place, Suite 200, Louisville, KY 40245  
Phone: (502) 813-2100 | <https://guidancecapital.com>

## Item 2 – Material Changes

Form ADV 2 is divided into two parts: Part 2A (the "Disclosure Brochure") and Part 2B (the "Brochure Supplement"). The Disclosure Brochure provides information about a variety of topics relating to an Advisor's business practices and conflicts of interest. The Brochure Supplement provides information about the Advisory Persons of Guidance Capital. For convenience, the Advisor has combined these documents into a single disclosure document.

Guidance Capital believes that communication and transparency are the foundation of its relationship with clients and will continually strive to provide you with complete and accurate information at all times. Guidance Capital encourages all current and prospective clients to read this Disclosure Brochure and discuss any questions you may have with the Advisor.

### Material Changes

The following material changes have been made to this Disclosure Brochure since the last filing and distribution to Clients on September 2023:

- Item 4 has been updated to reflect our assets under management as of 12/31/2023.
- Item 5 has been updated with our fee range for retirement plan management and consulting.
- Item 10 has been updated to disclose an affiliated advisor.
- Item 15 has been updated to disclose the safeguards in place for our Standing Letters of Authorization to Third Parties.

### Future Changes

From time to time, the Advisor may amend this Disclosure Brochure to reflect changes in business practices, changes in regulations or routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to you annually and if a material change occurs.

At any time, you may view the current Disclosure Brochure on-line at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with the Advisor's firm name or CRD# 323541. You may also request a copy of this Disclosure Brochure at any time by contacting the Advisor at (502) 813-2100.

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## Item 4 – Advisory Services

### A. Firm Information

Guidance Capital, Inc. (“Guidance Capital” or the “Advisor”) is a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”). The Advisor is organized as a Corporation under the laws of the Commonwealth of Kentucky. Guidance Capital was founded in July 2005 and became a registered investment advisor in October 2022. Guidance Capital is owned and operated by Stephen R. Gibson, CPA (Managing Partner and Wealth Planner) and Beau J. Handy, CFP®, CFS® (Managing Partner and Wealth Planner / Chief Compliance Officer). This Disclosure Brochure provides information regarding the qualifications, business practices, and the advisory services provided by Guidance Capital.

### B. Advisory Services Offered

Guidance Capital offers investment advisory services to individuals, high net worth individuals, trusts, estates, businesses, and retirement plans (each referred to as a “Client”).

The Advisor serves as a fiduciary to Clients, as defined under the applicable laws and regulations. As a fiduciary, the Advisor upholds a duty of loyalty, fairness and good faith towards each Client and seeks to mitigate potential conflicts of interest. Guidance Capital's fiduciary commitment is further described in the Advisor's Code of Ethics. For more information regarding the Code of Ethics, please see Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

#### Investment Management Services

Guidance Capital provides customized investment advisory solutions for its Clients. This is achieved through continuous personal Client contact and interaction while providing discretionary investment management and related advisory services. Guidance Capital works closely with each Client to identify their investment goals and objectives as well as risk tolerance and financial situation in order to create a portfolio strategy.

Guidance Capital will construct Client investment portfolios either through its internal investment management or an allocation to other money managers (Please see User of Other Managers below). For its internal investment management, the Advisor primarily utilizes diversified mutual funds, exchange-traded funds (“ETFs”), individual stocks and/or individual bonds to achieve the Client's investment goals. The Advisor may also utilize other types of investments, as appropriate to meet the needs of the Client. The Advisor may retain legacy investments based on portfolio fit and/or tax considerations.

Guidance Capital's investment strategies are primarily long-term focused, but the Advisor may buy, sell or re-allocate positions that have been held for less than one year to meet the objectives of the Client or due to market conditions. Guidance Capital will construct, implement and monitor the portfolio to ensure it meets the goals, objectives, circumstances, and risk tolerance agreed to by the Client. Each Client will have the opportunity to place reasonable restrictions on the types of investments to be held in their respective portfolio, subject to acceptance by the Advisor.

Guidance Capital evaluates and selects investments for inclusion in Client portfolios only after applying its internal due diligence process. Guidance Capital may recommend, on occasion, redistributing investment allocations to diversify the portfolio. Guidance Capital may recommend specific positions to increase sector or asset class weightings. The Advisor may recommend employing cash positions as a possible hedge against market movement.

Guidance Capital may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position[s] in the portfolio, change in risk tolerance of the Client, generating cash to meet Client needs, or any risk deemed unacceptable for the Client's risk tolerance.

At no time will Guidance Capital accept or maintain custody of a Client's funds or securities, except for the limited authority as outlined in Item 15 – Custody. All Client assets will be managed within the designated account[s] at the Custodian, pursuant to the terms of the advisory agreement. Please see Item 12 – Brokerage Practices.

*Retirement Accounts* – When the Advisor provides investment advice to Clients regarding ERISA retirement accounts or individual retirement accounts (“IRAs”), the Advisor is a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act (“ERISA”) and/or the Internal Revenue Code (“IRC”), as applicable, which are laws governing retirement accounts. When deemed to be in the Client's best interest, the Advisor will provide investment advice to a Client regarding a distribution from an ERISA retirement account or to roll over the assets to an IRA, or recommend a similar transaction including rollovers from one ERISA sponsored Plan to another, one IRA to another IRA, or from one type of account to another account (e.g. commission-based account to fee-based account). Such a recommendation creates a conflict of interest if the Advisor will earn a new (or increase its current) advisory fee as a result of the transaction. No client is under any obligation to roll over a retirement account to an account managed by the Advisor.

*Use of Other Managers* – Guidance Capital may recommend that a Client utilize one or more other registered investment advisors to provide discretionary investment management. The Advisor may recommend unaffiliated investment managers or investment platforms or its affiliated registered investment advisor, Dynamic Market Advantage, LLC (herein collectively referred to as “Other Managers ”). Other Managers may be engaged to manage all or a portion of a Client's investment portfolio. In such instances, the Client will typically be required to enter into a separate investment management agreement with the Other Manager that defines the terms in which the Other Manager will provide its services. The exception to this is when Advisor utilizes its affiliated investment advisor, in which case the Client will sign a dual agreement that encompasses services provided by both Guidance and Guidance's affiliate advisor. The Advisor may also assist in the development of the initial policy recommendations and managing the ongoing Client relationship. The Advisor will perform initial and ongoing oversight and due diligence over the selected Other Manager[s] to ensure each Other Manager's strategies and target allocations remain aligned with the Client's investment objectives and overall best interests. The Client, prior to entering into an agreement with unaffiliated investment manager[s] or investment platform[s], will be provided with the Other Manager's Form ADV 2A (or a

brochure that makes the appropriate disclosures). Guidance Capital advises the Client that a recommendation to use Dynamic Market Advantage, LLC (“DMA”) presents a conflict of interest due to the common ownership. Please see Item 10 below.

### **Financial Planning Services**

Guidance Capital will typically provide a variety of financial planning and consulting services to Clients. Financial planning services may be offered as part of an overall wealth management engagement and single fee or under a separate financial planning engagement. Services are offered in several areas of a Client’s financial situation, depending on their goals and objectives. Generally, such financial planning services involve preparing a formal financial plan or rendering a specific financial consultation based on the Client’s financial goals and objectives. This planning or consulting may encompass one or more areas of need, including but not limited to, investment planning, retirement planning, personal savings, education savings, insurance needs, and other areas of a Client’s financial situation.

A financial plan developed for, or financial consultation rendered to the Client will usually include general recommendations for a course of activity or specific actions to be taken by the Client. For example, recommendations may be made that the Client start or revise their investment programs, commence or alter retirement savings, establish education savings and/or charitable giving programs.

Guidance Capital may also refer Clients to an accountant, attorney or other specialists, as appropriate for their unique situation. For certain financial planning engagements, the Advisor will provide a written summary of the Client’s financial situation, observations, and recommendations. For consulting or ad-hoc engagements, the Advisor may not provide a written summary. Plans or consultations are typically completed within six (6) months of contract date, assuming all information and documents requested are provided promptly.

Financial planning and consulting recommendations pose a conflict between the interests of the Advisor and the interests of the Client. For example, the Advisor has an incentive to recommend that Clients engage the Advisor for investment management services or to increase the level of investment assets with the Advisor, as it would increase the amount of advisory fees paid to the Advisor. Clients are not obligated to implement any recommendations made by the Advisor or maintain an ongoing relationship with the Advisor. If the Client elects to act on any of the recommendations made by the Advisor, the Client is under no obligation to implement the transaction through the Advisor.

### **Retirement Plan Advisory Services**

Guidance Capital provides non-discretionary and discretionary retirement plan advisory services on behalf of the retirement plans (each a “Plan”) and the company (the “Plan Sponsor”). The Advisor’s retirement plan advisory services are designed to assist the Plan Sponsor in meeting its fiduciary obligations to the Plan and its Plan Participants. Each engagement is customized to the needs of the Plan and Plan Sponsor. Services generally include:

- Vendor Analysis
- Plan Participant Enrollment and Education Tracking
- Investment Policy Statement (“IPS”) Design and Monitoring

- Investment monitoring and oversight
- Performance Reporting
- Ongoing Investment Recommendation and Assistance
- ERISA 404(c) Assistance

These services are provided by Guidance Capital serving in the capacity as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), the Plan Sponsor is provided with a written description of Guidance Capital’s fiduciary status, the specific services to be rendered and all direct and indirect compensation the Advisor reasonably expects under the engagement.

### **C. Client Account Management**

Prior to engaging Guidance Capital to provide investment advisory services, each Client is required to enter into one or more agreements with the Advisor that define the terms, conditions, authority and responsibilities of the Advisor and the Client. These services may include:

- Establishing an Investment Strategy – Guidance Capital, in connection with the Client, will develop a strategy that seeks to achieve the Client’s goals and objectives.
- Asset Allocation – Guidance Capital will develop a strategic asset allocation that is targeted to meet the investment objectives, time horizon, financial situation and tolerance for risk for each Client.
- Portfolio Construction – Guidance Capital will develop a portfolio for the Client that is intended to meet the stated goals and objectives of the Client.
- Investment Management and Supervision – Guidance Capital will provide investment management and ongoing oversight of the Client’s investment portfolio.

### **D. Wrap Fee Programs**

Guidance Capital does not manage or place Client assets into a wrap fee program. Investment management services are provided directly by Guidance Capital.

### **E. Assets Under Management**

As of December 31, 2023, Guidance Capital manages \$288,312,717 in Client assets, all of which are managed on a discretionary basis. Clients may request more current information at any time by contacting the Advisor.

## **Item 5 – Fees and Compensation**

The following paragraphs detail the fee structure and compensation methodology for services provided by the Advisor. Each Client engaging the Advisor for services described herein shall be required to enter into one or more written agreements with the Advisor.

## **A. Fees for Advisory Services**

### **Investment Management Services**

Investment advisory fees are paid quarterly, in advance of each calendar quarter, pursuant to the terms of the investment advisory agreement. Investment advisory fees are based on the market value of assets under management at the end of the prior calendar quarter. Investment advisory fees range from 0.50% to 2.00% annually based on several factors, including: the scope and complexity of the services to be provided; the level of assets to be managed; the inclusion of financial planning services, and the overall relationship with the Advisor. Relationships with multiple objectives, specific reporting requirements, portfolio restrictions and other complexities may be charged a higher fee. The Advisor may include financial planning services as part of the overall engagement and fee.

The investment advisory fee in the first quarter of service is prorated from the inception date of the account[s] to the end of the first quarter. Fees may be negotiable at the sole discretion of the Advisor. The Client's fees will take into consideration the aggregate assets under management with the Advisor. All securities held in accounts managed by Guidance Capital will be independently valued by the Custodian. The Advisor will conduct periodic reviews of the Custodian's valuation to ensure accurate billing.

The Advisor's fee is exclusive of, and in addition to any applicable securities transaction and custody fees, and other related costs and expenses described in Item 5.C below, which may be incurred by the Client. However, the Advisor shall not receive any portion of these commissions, fees, and costs. Clients with an allocation to an Other Manager will pay an additional fee for those assets under management. Please see Use of Other Managers below.

Investment Management Clients with over \$1,000,000 of assets managed by us may be offered tax preparation and/or estate planning services free of charge by our affiliate tax preparation company, Guidance Tax Management Group, LLC. You are at no time required to utilize this affiliate's services. This creates a conflict of interest due to a lack of monetary incentive for this affiliate to serve you at the same level as other paying clients. Additionally, it incentivizes clients of Advisor to increase AUM in order to obtain this benefit. This is mitigated by our fiduciary duty to you. You are encouraged to review other options for tax preparation and/or estate planning services as this is offered merely as a convenient perk to our clients and not intended to imply suitability for our Advisory clients.

### **Use of Other Managers**

For Clients that have account[s] managed by an Other Manager, the Client's will be charged a separate and additional investment management fee by the respective manager. The fees charged by Other Managers will vary based on the manager, investment strategy or platform. The Advisor does not receive any portion of the fees charged by an Other Manager. Guidance Capital only receives its investment advisory fee as noted in 5.A. above. If the Client engages Dynamic Market Advantage, LLC, there is additional compensation paid to owners of the Advisor through its common control of DMA.

### Financial Planning Services

Guidance Capital offers financial planning services either on an hourly basis or a fixed engagement fee. Hourly fees range up to \$300 per hour. Fixed fees are based on the expected number of hours to complete the engagement at the Advisor's hourly rate. Fees may be negotiable based on the nature and complexity of the services to be provided and the overall relationship with the Advisor. An estimate for total hours and/or total costs will be provided to the Client prior to engaging for these services.

### Retirement Plan Advisory Services

Fees for retirement plan advisory services are charged an annual asset-based fee ranging up to 2.00% based on the size of the Plan and scope of services to be provided. Fees are typically billed in advance of each calendar quarter, pursuant to the terms of the retirement plan advisory agreement. Retirement plan fees are based on the market value of assets under management in the Plan at the end of the prior calendar quarter. Fees may be negotiable depending on the size and complexity of the Plan.

## **B. Fee Billing**

### Investment Management Services

Investment advisory fees are calculated by the Advisor or its delegate and deducted from the Client's account[s] at the Custodian. The Advisor shall send an invoice to the Custodian indicating the amount of the fees to be deducted from the Client's account[s] at the beginning of the respective quarter. The amount due is calculated by applying the quarterly rate (annual rate divided by 4) to the total assets under management with Guidance Capital at the end of the prior quarter. Clients will be provided with a statement, at least quarterly, from the Custodian reflecting deduction of the investment advisory fee. Clients are urged to also review and compare the statement provided by the Advisor to the brokerage statement from the Custodian, as the Custodian does not perform a verification of fees. Clients provide written authorization permitting advisory fees to be deducted by Guidance Capital to be paid directly from their account[s] held by the Custodian as part of the investment advisory agreement and separate account forms provided by the Custodian.

### Use of Other Managers

For Clients accounts implemented with an Other Manager, the Client's fee may be separately billed or deducted from the Client's account[s] at the Custodian by with the respective manager or the Custodian. The overall fee billed to the Client's account may include the Advisor's fee as noted in 5.A. above.

### Financial Planning Services

Financial planning fees may be invoiced up to fifty percent (50%) of the expected total fee upon execution of the financial planning agreement. The balance shall be invoiced upon completion of the agreed upon deliverable[s].

### Retirement Plan Advisory Services

Retirement plan advisory fees may be directly invoiced to the Plan Sponsor or deducted from the assets of the Plan, pursuant to the terms of the retirement plan advisory agreement.

### **C. Other Fees and Expenses**

Clients may incur certain fees or charges imposed by third parties, other than Guidance Capital, in connection with investments made on behalf of the Client's account[s]. The Client is responsible for all custody and securities execution fees charged by the Custodian, as applicable. The Advisor's recommended Custodian does not charge securities transaction fees for ETF and equity trades in a Client's account, provided that the account meets the terms and conditions of the Custodian's brokerage requirements. However, the Custodian typically charges for mutual funds and other types of investments. The fees charged by Guidance Capital are separate and distinct from these custody and execution fees.

In addition, all fees paid to Guidance Capital for investment advisory services are separate and distinct from the expenses charged by mutual funds and ETFs to their shareholders, if applicable. These fees and expenses are described in each fund's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. A Client may be able to invest in these products directly, without the services of Guidance Capital, but would not receive the services provided by Guidance Capital which are designed, among other things, to assist the Client in determining which products or services are most appropriate for each Client's financial situation and objectives. Accordingly, the Client should review both the fees charged by the fund[s] and the fees charged by Guidance Capital to fully understand the total fees to be paid. Please refer to Item 12 – Brokerage Practices for additional information.

### **D. Advance Payment of Fees and Termination**

#### Investment Management Services

Guidance Capital may be compensated for its investment management services in advance of the quarter in which services are rendered. Either party may terminate the investment advisory agreement, at any time, by providing advance written notice to the other party. The Client may also terminate the investment advisory agreement within five (5) business days of signing the Advisor's agreement at no cost to the Client. After the five-day period, the Client will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the Client. Upon termination, the Advisor will refund any unearned, prepaid investment advisory fees from the effective date of termination to the end of the quarter. The Client's investment advisory agreement with the Advisor is non-transferable without the Client's prior consent.

#### Use of Other Managers

In the event that a Client should wish to terminate their relationship with the Other Manager, the terms for termination will be set forth in the respective agreements between the Client and that Other Manager. Guidance Capital will assist the Client with the termination and transition as appropriate.

#### Financial Planning Services

Guidance Capital may be partially compensated for its financial planning services at the start of the engagement. Either party may terminate the financial planning agreement, at any time, by providing advance written notice to the other party. The Client may also terminate the financial planning agreement within five (5) business days of signing the Advisor's agreement at no cost

to the Client. After the five-day period, the Client will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the Client. Upon termination, the Client shall be billed for actual hours logged on the planning project times the contractual hourly rate or in the case of a fixed fee engagement, the percentage of the engagement scope completed by the Advisor. Upon termination, the Advisor will refund any unearned, prepaid planning fees. The Client's financial planning agreement with the Advisor is non-transferable without the Client's prior consent.

#### Retirement Plan Advisory Services

Guidance Capital is compensated for its services at the beginning of the quarter, before advisory services are rendered. Either party may request to terminate a retirement plan advisory agreement, at any time, by providing advance written notice to the other party. The Client shall be responsible for advisory fees up to and including the effective date of termination. Upon termination, the Advisor will refund any unearned, prepaid advisory fees from the effective date of termination to the end of the quarter. The Client's retirement plan advisory agreement with the Advisor is non-transferable without the Client's prior consent.

#### **E. Compensation for Sales of Securities**

Guidance Capital does not buy or sell securities to earn commissions and does not receive any compensation for securities transactions in any Client account, other than the investment advisory fees noted above. However, certain Advisory Persons are also a Registered Representative of Private Client Services, LLC ("PCS"), a registered broker-dealer (CRD# 120222) and member FINRA, SIPC. In an Advisory Person's separate capacity as a Registered Representative of PCS, the Advisory Person may implement securities transactions through PCS and not through Guidance Capital. In such instances, the Advisory Person will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by an Advisory Person in one's capacity as a Registered Representative is separate and in addition to the Advisor's fees. This practice presents a conflict of interest because the Advisory Person who is a Registered Representative has an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on the Client. Clients are not obligated to implement any recommendation provided by the Advisor nor Advisory Persons. Neither the Advisor nor Advisory Persons will earn ongoing investment advisory fees in connection with any products or services implemented in the Advisory Person's separate capacity as a Registered Representative. Please see Item 10 below.

Certain Advisory Persons are also licensed as independent insurance professionals. As an independent insurance professional, an Advisory Person may earn commission-based compensation for selling insurance products, including insurance products they sell to Clients of Guidance Capital. Insurance commissions earned by Advisory Persons are separate and in addition to our advisory fees. This practice presents a conflict of interest as the Advisory Person may have an incentive to recommend insurance products to the Client for the purpose of generating commissions rather than solely based on the Client's needs. Clients are under no obligation, contractually or otherwise, to purchase insurance products through any Advisory Person affiliated with the Advisor. Please see Item 10 below.

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

Guidance Capital does not charge performance-based fees for its investment advisory services. The fees charged by Guidance Capital are as described in Item 5 above and are not based upon the capital appreciation of the funds or securities held by any Client.

Guidance Capital does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its clients.

## Item 7 – Types of Clients

Guidance Capital offers investment advisory services to individuals, high net worth individuals, trusts, estates, businesses, and retirement plans. Guidance Capital generally does not impose a minimum relationship size. However, Other Managers may impose minimums to effectively implement a strategy.

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

### A. Methods of Analysis

Guidance Capital primarily employs fundamental and technical analysis methods in developing investment strategies for its clients. Research and analysis from Guidance Capital are derived from numerous sources, including financial media companies, third-party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and research prepared by others.

Fundamental analysis utilizes economic and business indicators as investment selection criteria. This criterion consists generally of ratios and trends that may indicate the overall strength and financial viability of the entity being analyzed. Assets are deemed suitable if they meet certain criteria to indicate that they are a strong investment with a value discounted by the market. While this type of analysis helps the Advisor in evaluating a potential investment, it does not guarantee that the investment will increase in value. Assets meeting the investment criteria utilized in the fundamental analysis may lose value and may have negative investment performance. The Advisor monitors these economic indicators to determine if adjustments to strategic allocations are appropriate. More details on the Advisor's review process are included below in Item 13 – Review of Accounts.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends, which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Guidance Capital will be able to accurately predict such a reoccurrence.

As noted above, Guidance Capital generally employs a long-term investment strategy for its clients, as consistent with their financial goals. Guidance Capital will typically hold all or a portion of a security for more than a year but may hold for shorter periods for the purpose of rebalancing a portfolio or meeting the cash needs of Clients. At times, Guidance Capital may also buy and sell positions that are more short-term in nature, depending on the goals of the Client and/or the fundamentals of the security, sector or asset class.

## **B. Risk of Loss**

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. Guidance Capital will assist Clients in determining an appropriate strategy based on their tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

While the methods of analysis help the Advisor in evaluating a potential investment, it does not guarantee that the investment will increase in value. Assets meeting the investment criteria utilized in these methods of analysis may lose value and may have negative investment performance. The Advisor monitors these economic indicators to determine if adjustments to strategic allocations are appropriate. More details on the Advisor's review process are included below in Item 13 – Review of Accounts.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a Client's account[s]. The Advisor shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform the Advisor of any changes in financial condition, goals or other factors that may affect this analysis.

The risks associated with a particular strategy are provided to each Client in advance of investing Client accounts. The Advisor will work with each Client to determine their tolerance for risk as part of the portfolio construction process. Following are some of the risks associated with the Advisor's investment strategies:

### Market Risks

The value of a Client's holdings may fluctuate in response to events specific to companies or markets, as well as economic, political, or social events in the U.S. and abroad. This risk is linked to the performance of the overall financial markets.

### ETF Risks

The performance of ETFs is subject to market risk, including the possible loss of principal. The price of the ETFs will fluctuate with the price of the underlying securities that make up the funds. In addition, ETFs have a trading risk based on the loss of cost efficiency if the ETFs are traded actively and a liquidity risk if the ETFs has a large bid- ask spread and low trading volume. The price of an ETF fluctuates based upon the market movements and may dissociate

from the index being tracked by the ETF or the price of the underlying investments. An ETF purchased or sold at one point in the day may have a different price than the same ETF purchased or sold a short time later.

#### Bond Risks

Bonds are subject to specific risks, including the following: (1) interest rate risks, i.e. the risk that bond prices will fall if interest rates rise, and vice versa, the risk depends on two things, the bond's time to maturity, and the coupon rate of the bond. (2) reinvestment risk, i.e. the risk that any profit gained must be reinvested at a lower rate than was previously being earned, (3) inflation risk, i.e. the risk that the cost of living and inflation increase at a rate that exceeds the income investment thereby decreasing the investor's rate of return, (4) credit default risk, i.e. the risk associated with purchasing a debt instrument which includes the possibility of the company defaulting on its repayment obligation, (5) rating downgrades, i.e. the risk associated with a rating agency's downgrade of the company's rating which impacts the investor's confidence in the company's ability to repay its debt and (6) Liquidity Risks, i.e. the risk that a bond may not be sold as quickly as there is no readily available market for the bond.

#### Mutual Fund Risks

The performance of mutual funds is subject to market risk, including the possible loss of principal. The price of the mutual funds will fluctuate with the value of the underlying securities that make up the funds. The price of a mutual fund is typically set daily therefore a mutual fund purchased at one point in the day will typically have the same price as a mutual fund purchased later that same day.

#### Use of Other Managers

Guidance Capital may recommend the use of Other Managers for certain clients. Guidance Capital will continue to conduct ongoing due diligence of such managers, but such recommendations relies, to a great extent, on each Other Manager's ability to successfully implement their investment strategy. In addition, Guidance Capital does not have the ability to supervise the Other Managers on a day-to-day basis.

#### Margin Borrowings

The use of short-term margin borrowings may result in certain additional risks to a Client. For example, if securities pledged to brokers to secure a Client's margin accounts decline in value, the Client could be subject to a "margin call", pursuant to which it must either deposit additional funds with the broker or be the subject of mandatory liquidation of the pledged securities to compensate for the decline in value.

Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with the Advisor.

## Item 9 – Disciplinary Information

There are no legal, regulatory or disciplinary events involving Guidance Capital or its management persons. Guidance Capital values the trust Clients place in the Advisor. The Advisor encourages Clients to perform the requisite due diligence on any advisor or service provider that the Client engages. The backgrounds of the Advisor or Advisory Persons are available on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with the Advisor's firm name or CRD# 323541.

## Item 10 – Other Financial Industry Activities and Affiliations

### Broker-Dealer Affiliation

As noted in Item 5, certain Advisory Persons are also Registered Representatives of PCS. In one's separate capacity as a Registered Representative of PCS, the Advisory Person will receive commissions for the implementation of recommendations for commissionable transactions. Clients are not obligated to implement any recommendation provided by the Advisory Person. Neither the Advisor nor the Advisory Person will earn ongoing investment advisory fees in connection with any services implemented in the Advisory Person's separate capacity as a Registered Representative of PCS.

### Insurance Agency Affiliations

As noted in Item 5, certain Advisory Persons are also licensed insurance professionals. Implementations of insurance recommendations are separate and apart from an Advisory Person's role with Guidance Capital. As an insurance professional, the Advisory Person may receive customary commissions and other related revenues from the various insurance companies whose products are sold. Advisory Persons are not required to offer the products of any particular insurance company. Commissions generated by insurance sales do not offset regular advisory fees. This may cause a conflict of interest in recommending certain products of the insurance companies. Clients are under no obligation to implement any recommendations made by an Advisory Person or the Advisor.

### Dynamic Market Advantage

As noted in Item 4, certain owners of Guidance Capital are also owners of Dynamic Market Advantage, LLC ("DMA") an affiliated, SEC-registered investment advisor (IARD # 323540). Guidance Capital may recommend that a Client utilize DMA for all or a portion of their investment management needs. Advisory Persons of Guidance Capital are not required to use DMA as a sub-advisor. However, the common ownership and additional compensation present a conflict of interest that is fully disclosed to each Client. The Client is required to enter into a separate investment management agreement with DMA, should they choose such services.

### DMLO Wealth Planning, LLC

Certain owners of Guidance are also owners of DMLO Wealth Planning, LLC ("DMLO") an affiliated, SEC- registered investment advisor (CRD # 316202). The common ownership presents a conflict of interest that is fully disclosed to each Client. Clients of Guidance Capital are not offered the services of DMLO Wealth Planning, LLC.

### Guidance Tax Management Group, LLC

Guidance Capital has an ownership interest in Guidance Tax Management Group, LLC, an affiliate accounting firm. Guidance may recommend that a Client use Guidance Tax Management Group, LLC for all or a portion of their tax preparation needs, or offer Guidance Tax Management Group's services free of charge to those clients of Guidance outlined in Item 5. This common ownership and additional compensation present a conflict of interest that is fully disclosed to each Client. The Client is required to enter into a separate agreement with Guidance Tax Management Group, LLC should they choose such services. For those clients of Guidance Capital not eligible for free tax preparation/estate planning services through our affiliate, we have an incentive to recommend our affiliate as we are entitled to a portion of our affiliate's profits. As stated in Item 5, we typically recommend this affiliate out of convenience, and our recommendation is not meant as a statement of suitability.

Guidance is not and does not have an application pending to be a commodity pool advisor or operator.

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

### **A. Code of Ethics**

Guidance Capital has implemented a Code of Ethics (the "Code") that defines the Advisor's fiduciary commitment to each Client. This Code applies to all persons associated with Guidance Capital ("Supervised Persons"). The Code was developed to provide general ethical guidelines and specific instructions regarding the Advisor's duties to each Client. Guidance Capital and its Supervised Persons owe a duty of loyalty, fairness and good faith towards each Client. It is the obligation of Guidance Capital's Supervised Persons to adhere not only to the specific provisions of the Code, but also to the general principles that guide the Code. The Code covers a range of topics that address employee ethics and conflicts of interest. To request a copy of the Code, please contact the Advisor at (502) 813-2100.

### **B. Personal Trading with Material Interest**

Guidance Capital allows Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients. Guidance Capital does not act as principal in any transactions. In addition, the Advisor does not act as the general partner of a fund, or advise an investment company. Guidance Capital does not have a material interest in any securities traded in Client accounts.

### **C. Personal Trading in Same Securities as Clients**

Guidance Capital allows Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients. Owning the same securities that are recommended (purchase or sell) to Clients presents a conflict of interest that, as fiduciaries, must be disclosed to Clients and mitigated through policies and procedures. As noted above, the Advisor has adopted the Code to address insider trading (material non-public information controls); gifts and entertainment; outside business activities and personal securities reporting. When trading for personal accounts, Supervised Persons have a conflict of interest if trading in

the same securities. The fiduciary duty to act in the best interest of its Clients can be violated if personal trades are made with more advantageous terms than Client trades, or by trading based on material non-public information. This risk is mitigated by Guidance Capital requiring reporting of personal securities trades by its Supervised Persons for review by the Chief Compliance Officer (“CCO”) or delegate. The Advisor has also adopted written policies and procedures to detect the misuse of material, non-public information.

#### **D. Personal Trading at Same Time as Client**

While Guidance Capital allows Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients, such trades are typically aggregated with Client orders or traded afterwards. At no time will Guidance Capital, or any Supervised Person of Guidance Capital, transact in any security to the detriment of any Client.

### **Item 12 – Brokerage Practices**

#### **A. Recommendation of Custodian[s]**

Guidance Capital does not have discretionary authority to select the broker-dealer/custodian for custody and execution services. The Client will engage the broker-dealer/custodian (herein the "Custodian") to safeguard Client assets and authorize Guidance Capital to direct trades to the Custodian as agreed upon in the investment advisory agreement. Further, Guidance Capital does not have the discretionary authority to negotiate commissions on behalf of Clients on a trade-by-trade basis.

Where Guidance Capital does not exercise discretion over the selection of the Custodian, it may recommend the Custodian to Clients for custody and execution services. Clients are not obligated to use the Custodian recommended by the Advisor and will not incur any extra fee or cost associated with using a custodian not recommended by Guidance Capital. However, the Advisor may be limited in the services it can provide if the recommended Custodian is not engaged. Guidance Capital may recommend the Custodian based on criteria such as, but not limited to, reasonableness of commissions charged to the Client, services made available to the Client, and its reputation and/or the location of the Custodian's offices. As certain Advisory Persons are also Registered Representatives of PCS, the Advisor may be limited in using other broker-dealers/custodians as PCS must approve the use of any outside broker-dealer/custodian.

Guidance Capital will generally recommend that Clients establish their account[s] at Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer and member SIPC. Schwab will serve as the Client's "qualified custodian". Guidance Capital maintains an institutional relationship with Schwab, whereby the Advisor receives economic benefits from Schwab. Please see Item 14 below.

Following are additional details regarding the brokerage practices of the Advisor:

1. Soft Dollars - Soft dollars are revenue programs offered by broker-dealers/custodians whereby an advisor enters into an agreement to place security trades with a broker-dealer/custodian in exchange for research and other services. Guidance Capital does not

participate in soft dollar programs sponsored or offered by any broker-dealer/custodian. However, the Advisor receives certain economic benefits from the Custodian. Please see Item 14 below.

2. Brokerage Referrals - Guidance Capital does not receive any compensation from any third party in connection with the recommendation for establishing an account.
3. Directed Brokerage - All Clients may be serviced on a “directed brokerage basis”, where Guidance Capital will place trades within the established account[s] at the Custodian designated by the Client, however Guidance Capital does utilize a recommended Custodian and may not be able to obtain best execution outside of our recommended Custodian. Further, all Client accounts are traded within their respective account[s]. The Advisor will not engage in any principal transactions (i.e., trade of any security from or to the Advisor’s own account) or cross transactions with other Client accounts (i.e., purchase of a security into one Client account from another Client’s account[s]). Guidance Capital will not be obligated to select competitive bids on securities transactions and does not have an obligation to seek the lowest available transaction costs. These costs are determined by the Custodian.

## **B. Aggregating and Allocating Trades**

The primary objective in placing orders for the purchase and sale of securities for Client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of the order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the Custodian. Guidance Capital will execute its transactions through the Custodian as authorized by the Client. Guidance Capital may aggregate orders in a block trade or trades when securities are purchased or sold through the Custodian for multiple (discretionary) accounts in the same trading day. If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation or other written statement, unless there are exigent circumstances outside of our control preventing this allocation. This must be done in a way that does not consistently advantage or disadvantage any Clients’ accounts.

## **Item 13 – Review of Accounts**

### **A. Frequency of Reviews**

Securities in Client accounts are monitored on a regular and continuous basis by Advisory Persons and periodically by the CCO of Guidance Capital. Formal reviews are generally conducted at least annually or more frequently depending on the needs of the Client.

### **B. Causes for Reviews**

In addition to the investment monitoring noted in Item 13.A., each Client account shall be reviewed at least annually. Reviews may be conducted more frequently at the Client’s request. Accounts may be reviewed as a result of major changes in economic conditions, known changes in the Client’s financial situation, and/or large deposits or withdrawals in the Client’s account[s]. The Client is encouraged to notify Guidance Capital if changes occur in the Client’s personal financial situation that might adversely affect the Client’s investment plan. Additional reviews may be triggered by material market, economic or political events.

### **C. Review Reports**

The Client will receive brokerage statements no less than quarterly from the Custodian. These brokerage statements are sent directly from the Custodian to the Client. The Client may also establish electronic access to the Custodian's website so that the Client may view these reports and their account activity. Client brokerage statements will include all positions, transactions and fees relating to the Client's account[s]. The Advisor may also provide Clients with periodic reports regarding their holdings, allocations, and performance.

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

### **A. Compensation Received by Guidance Capital**

Guidance Capital may refer Clients to various unaffiliated, non-advisory professionals (e.g. attorneys, accountants, estate planners) to provide certain financial services necessary to meet the goals of its Clients. Likewise, Guidance Capital may receive non-compensated referrals of new Clients from various third-parties.

#### Participation in Institutional Advisor Platform

Guidance Capital has established an institutional relationship with Schwab through its "Schwab Advisor Services" unit, a division of Schwab dedicated to serving independent advisory firms like Guidance Capital. As a registered investment advisor participating on the Schwab Advisor Services platform, Guidance Capital receives access to software and related support without cost because the Advisor renders investment management services to Clients that maintain assets at Schwab. Services provided by Schwab Advisor Services benefit the Advisor and many, but not all services provided by Schwab will benefit Clients. In fulfilling its duties to its Clients, the Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits from a custodian creates a potential conflict of interest since these benefits may influence the Advisor's recommendation of this custodian over one that does not furnish similar software, systems support, or services.

*Services that Benefit the Client* – Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of Client's funds and securities. Through Schwab, the Advisor may be able to access certain investments and asset classes that the Client would not be able to obtain directly or through other sources. Further, the Advisor may be able to invest in certain mutual funds and other investments without having to adhere to investment minimums that might be required if the Client were to directly access the investments.

*Services that May Indirectly Benefit the Client* – Schwab provides participating advisors with access to technology, research, discounts and other services. In addition, the Advisor receives duplicate statements for Client accounts, the ability to deduct advisory fees, trading tools, and back office support services as part of its relationship with Schwab. These services are intended to assist the Advisor in effectively managing accounts for its Clients, but may not directly benefit all Clients.

*Services that May Only Benefit the Advisor* – Schwab also offers other services and financial support to Guidance Capital that may not benefit the Client, including: educational conferences and events, financial start-up support, consulting services and discounts for various service providers. Access to these services creates a financial incentive for the Advisor to recommend Schwab, which results in a potential conflict of interest. Guidance Capital believes, however, that the selection of Schwab as Custodian is in the best interests of its Clients.

### **B. Compensation for Client Referrals**

The Advisor does not compensate, either directly or indirectly, any persons who are not supervised persons, for Client referrals.

## **Item 15 – Custody**

Guidance Capital does not accept or maintain custody of any Client accounts, except for the authorized deduction of the Advisor’s fees. All Clients must place their assets with a “qualified custodian”. Clients are required to engage the Custodian to retain their funds and securities and direct Guidance Capital to utilize that Custodian for the Client’s security transactions. Clients should review statements provided by the Custodian and compare to any reports provided by Guidance Capital to ensure accuracy, as the Custodian does not perform this review. For more information about custodians and brokerage practices, see Item 12 – Brokerage Practices.

If the Client gives the Advisor authority to move money from one account to another account, the Advisor may have custody of those assets. In order to avoid additional regulatory requirements, the Custodian and the Advisor have adopted safeguards to ensure that the money movements are completed in accordance with the Client’s instructions.

On February 21, 2017, the SEC issued a no-action letter (“Letter”) with respect to the Rule 206(4)-2 (“Custody Rule”) under the Investment Advisers Act of 1940 (“Advisers Act”). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of authorization (“SLOA”) is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client’s signature, the third party’s name, and either the third party’s address or the third party’s account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian’s form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client’s qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client’s authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client’s qualified custodian.

- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.

## Item 16 – Investment Discretion

Guidance Capital generally has discretion over the selection and amount of securities to be bought or sold in Client accounts without obtaining prior consent or approval from the Client. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the Client and agreed to by Guidance Capital. Discretionary authority will only be authorized upon full disclosure to the Client. The granting of such authority will be evidenced by the Client's execution of an investment advisory agreement containing all applicable limitations to such authority. All discretionary trades made by Guidance Capital will be in accordance with each Client's investment objectives and goals.

## Item 17 – Voting Client Securities

Guidance Capital does not accept proxy-voting responsibility for any Client. Clients will receive proxy statements directly from the Custodian. The Advisor will assist in answering questions relating to proxies, however, the Client retains the sole responsibility for proxy decisions and voting.

## Item 18 – Financial Information

Neither Guidance Capital, nor its management, have any adverse financial situations that would reasonably impair the ability of Guidance Capital to meet all obligations to its Clients. Neither Guidance Capital, nor any of its Advisory Persons, have been subject to a bankruptcy or financial compromise. Guidance Capital is not required to deliver a balance sheet along with this Disclosure Brochure as the Advisor does not collect advance fees of \$1,200 or more for services to be performed six months or more in the future. Guidance Capital has not been the subject of bankruptcy any time in the last 10 years.