



Derby & Derby, Inc.

603 West Ojai Ave, Ste C

P.O. Box 189

Ojai, CA 93024

805-646-3729

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

January 4, 2018

Derby & Derby, Inc. is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training.

This Brochure provides information about the qualifications and business practices of Derby & Derby, Inc. If you have any questions about the contents of this Brochure, please contact us at 805-646-3729 and/or [vicki@derbyandderby.com](mailto:vicki@derbyandderby.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 Derby & Derby, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated April 17, 2015 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

Victoria Breen is now a registered representative of Securities America, Inc.

Clients or prospective clients may request a copy of our Brochure, free of charge, by contacting Donna Lloyd/Vice President at 805-646-3729 or donna@derbydandderby.com. Our Brochure is also available free of charge on our web site, [www.derbyandderby.com](http://www.derbyandderby.com).

Additional information about Derby & Derby, Inc. is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Derby & Derby, Inc. who are registered, or are required to be registered, as investment advisor representatives of Derby & Derby, Inc.

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#### **Item 4 – Advisory Business**

Derby & Derby, Inc. (“Derby & Derby”) was incorporated in the State of California in 1986 with the primary businesses of financial planning, insurance sales and service. In 1995, Derby & Derby registered with the State of California as an Investment Advisor. Victoria Derby Breen is the sole owner of Derby & Derby.

Derby & Derby provides "Financial Strategies" which is planning for investments, retirement, college education, insurance, tax, and estates, consistent with each client's financial needs and goals. The strategy for each area is generally addressed one at a time based on the client's priorities and current needs. A comprehensive plan will not be developed at one time, but typically evolves as the client continues to work with Derby & Derby on each area. Derby & Derby provides Trust Administration services to assist clients in organizing trust matters and in the preparation of reports which may go to the client's CPA and/or attorney. Derby & Derby may hold seminars to provide presentations on insurance products, or financial strategies. We do not charge a fee to attend such seminars.

#### **INDEPENDENT MANAGED ASSETS PROGRAM**

Derby & Derby, Inc. acts as a solicitor and refers clients to unaffiliated third party investment advisors offering asset management and other investment advisor services. We do this through the Independent Managed Assets Program (IMAP) offered by Securities America Advisors, Inc. (SAA), an investment advisor registered with the Securities and Exchange Commission. One or more of these affiliates may be affiliated entities of SAA. The third party money managers in IMAP offer a wide range of advisory services including asset allocation, market timing and portfolio management. The third party advisor provides asset management and investment advisory services directly to you, and that money manager is responsible for continuously monitoring your accounts and making trades in your account when necessary.

In mutual fund/variable annuity programs, our advisory representative assists you in selecting various strategies consisting of model portfolios of mutual funds and/or variable annuity sub-accounts or assists you in designating certain of your existing investment in mutual funds and/or variable annuities to be managed by a third-party investment advisor firm. Neither Derby & Derby, Inc. nor our representative manage or obtain discretionary authority over the assets in accounts participating in these programs. The third party advisor either rebalances the mutual funds, variable annuity sub-accounts or model portfolios selected by you on a predetermined schedule or actively manages a portfolio of mutual funds and/or variable annuity sub-accounts in accordance with your stated general strategy or objectives. Once selected, you must enter into an agreement directly with the

unaffiliated advisor. The third-party investment advisors may have differing minimum account requirements.

Although the third party investment advisor is responsible for making all investment decisions, we are available to answer questions you may have regarding your account and act as the liaison between you and the third party investment advisor. The advisors we recommend generally require discretionary authority to determine the securities to be purchased and sold in your accounts. Neither we nor our representatives have any trading authority with respect to your managed account with the third party advisors. In addition, each third party investment advisor maintains its own separate execution, clearing and custodial relationships. Neither Derby & Derby, Inc. nor our advisory representatives act as custodian for your account held with a third party money manager.

Trading by IMAP money managers may trigger wash sale rule implications. A wash sale occurs when a security is sold at a loss and then the same or substantially identical security is repurchased within a short time period. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in the IMAP program.

Derby & Derby, Inc. performs due diligence in selecting the third party money managers recommended, and any advisor recommended by us must be registered or exempt from registration in the state where you reside. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

If we recommend a third party investment advisor to you, a complete description of that advisor's services, fee schedules and account minimums is provided in that advisor's Form ADV Disclosure Brochure or Wrap Fee Program Brochure. The third party advisor manages your accounts in accordance with the disclosures in those brochures, and copies of the brochures are provided to you when we initially recommend the advisor.

## **Item 5 – Fees and Compensation**

The specific manner in which fees are charged is established in a written Client Engagement Agreement (“Agreement”). Fees for Financial Strategies may be charged in one of three ways. If the client seeks our advisory services only, and doesn't implement their plan(s) through us, they are charged our standard hourly rate of \$250. The client is provided with an estimate of fees upon execution of the

Agreement, but will be billed in arrears for the actual hours of services performed. For simple Financial Strategies, if the client implements securities through Victoria Breen in her capacity as a Registered Representative of Securities America, Inc., a full service broker/dealer, we may waive all or a portion of our Financial Strategies fees at our discretion. For complex Financial Strategies, the client may pay a combination of fees and commissions. For certain complex financial plans, Derby & Derby may charge a fixed fee ranging from \$500-\$10,000. These fees are specified in the Client Engagement Agreement. All fees are subject to negotiation. Fees will be negotiated at the time the client engages our services.

Fees for Trust Administration may be billed at our standard hourly rate of \$250 (or \$75 per hour for Administrative Services). The client is provided with an estimate of fees upon execution of the Client Engagement Agreement, but will be billed in arrears for the actual hours of services performed. For longer-term engagements, a negotiated fixed fee will be quoted for the year or other specified period, and will be billed in equal monthly payments in advance of the services rendered.

The client may terminate the Agreement within 5 business days of signing the Agreement for a full refund. The Agreement for Financial Strategies terminates upon delivery of the report. At this time all fees are due and payable.

For Trust Administration, if the client terminates the Agreement after the 5-day grace period, the client will be billed for actual time and charges accruing up through the date of termination. The Agreement for Trust Administration terminates upon delivery of the report if the engagement is for a one-time project, or at the end of the period specified in the Agreement if engaged on retainer.

Any controversy or claim, including, but not limited to, errors and omissions arising out of or relating to our Agreement or the breach thereof, shall be settled by arbitration in accordance with the code of Commercial Arbitration of the American Arbitration Association ("AAA"), and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The client understands that this agreement to arbitrate does not constitute a waiver of the right to seek a judicial forum where such a waiver would be void under the federal securities laws. Arbitration is final and binding on the parties.

If the client utilizes the services of an unaffiliated registered investment advisor ("third party money manager") recommended by Derby & Derby via a Solicitor's Agreement, Derby & Derby generally bills its fees on a quarterly basis. The client is also charged an investment management fee by the third party money manager. Clients will be billed in advance of each calendar quarter. For hourly consultation

agreements or fee based planning, billing is provided upon completion of the consultation, plan or project.

Derby & Derby's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. When utilizing the services of third party money manager, clients may incur certain charges imposed by custodians, brokers, the third party money manager and other third parties such as fees charged by managers, custodial fees, sales charges, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to the third party money manager's fee, and Derby & Derby shall not receive any portion of these commissions, fees, and costs.

We may recommend securities, asset management, or insurance products offered by Securities America, Inc. or its affiliates. If our clients purchase these products through us, we will receive the normal commission or fees. Thus, a conflict exists between our interests and those of our clients. The client is under no obligation to purchase products we recommend, or to purchase products either through us or through Securities America, Inc.

Securities America, Inc. may exercise agreements with other Registered Investment Advisors and Victoria Breen, as registered representative/affiliate, may recommend these other advisors to clients. In such instances, Derby & Derby or Victoria Breen may receive a portion of the account fee or commissions. In these instances, we will make available to the client a "Compensation Disclosure Statement" and the other advisor's Form ADV. The client is under no obligation to use the services of the recommended advisor(s). No Securities America, Inc. party will participate in any way in the advisory services of Derby & Derby.

Victoria Breen is licensed with various life, disability, and other insurance companies. We may recommend insurance products offered by these companies. If our clients purchase these products through us, we receive the normal commissions. Thus a conflict of interest exists between our interests and those of our clients. The client is under no obligation to purchase products we recommend, or to purchase products either through us or through these insurance companies.

Derby & Derby may act as a solicitor for an unaffiliated registered investment advisor ("third party money manager") and may receive a cash solicitor's fee. If Derby & Derby receives cash solicitor fees, the solicitor's agreement and the related

activities of Derby & Derby will be in compliance with Rule 206(4)-3 of the Investment Advisors Act of 1940. Rule 206(4)-3 specifies certain standards that must be met by an investment advisor and any person who solicits any client for, or refers any client to, an investment advisor prior to payment of a cash fee directly or indirectly, for client solicitation or referral.

Item 12 further describes the factors that Derby & Derby considers in selecting or recommending broker/dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Derby & Derby, Inc. may invest a portion of your assets in mutual funds, exchange traded funds or variable annuities and charge a management fee on your assets invested in these securities. Therefore, you may pay two levels of fees for management of your assets: one directly to Derby & Derby, Inc. and one indirectly to the managers of the mutual funds, exchange traded funds or variable annuities held in your portfolios. Our management fees for advisory services are separate and distinct from the fees and expenses charged by the funds and annuities recommended to you. A description of these fees and expenses are available in each mutual fund and annuity prospectus. The ongoing fee for our management services may cost you more than if your assets were held in a traditional brokerage account. In addition, you may be able to obtain similar services for a lesser fee from other advisors.

In addition, our representative may manage variable annuity account(s) held by your insurance company custodians even though those annuity accounts are not linked to an advisory account. If annuity management service is provided, it is provided on a discretionary basis only, and you may be subject to additional advisory fees. The underlying assets may be bought directly through the mutual fund company or variable annuity company. Therefore, you could generally avoid the second layer of fees by making your own decisions regarding the mutual fund, exchange traded fund or variable annuity investment. However, in that case, you would not receive the investment management services provided by your representative.

Generally, SAA policy prohibits imposing an asset-based fee for 18 months on certain products, including certain classes of mutual funds and variable annuities that were subject to a commission and sold by our representative at the time of purchase. There is an exception to this policy for mutual fund class-C shares. SAA's policy prohibits imposing an asset-based fee for 12 months on mutual fund class-C shares that were subject to a commission and sold to you by your representative in his/her capacity as a registered representative of SAI. For any alternative investment product purchased for a commission and then transferred from a



commission-based account to an advisory account, SAA requires the alternative investment product held to be excluded from the asset-based fee charged to the advisory account. If an alternative investment product is purchased at NAV (in other words, purchased for no commission), then that alternative investment product may be held in an advisory account and be subject to an asset-based fee. While SAA (or an entity on its behalf) has designed reasonable controls to monitor for the accuracy of advisory fees, we also encourage you to check the accuracy of your advisory fee billings.

If your representative recommends a product previously purchased in a commission-based account to be transferred into an advisory account, the recommendation may be deemed to be a conflict of interest. We manage this conflict through written disclosure to you and by imposing reasonable controls designed to monitor for this activity.

#### INDEPENDENT MANAGED ASSETS PROGRAM

Derby & Derby, Inc. is compensated by IMAP money managers through solicitor or consulting fees, and the fees vary depending on the actual third party investment advisor utilized. Fees may be negotiated but generally range from .10% to 3.0 % annually, depending upon the program selected, the size of the account and the services covered. All fees are calculated and collected by the selected third party investment advisor firm who is responsible for delivering our portion of the fee to us. Typically, as part of the client agreement signed, you authorize the third party investment advisor to deduct fees directly from your accounts to pay for investment management services provided by the advisor. SAA may also receive marketing override fees or premier sponsor fees from third party money managers.

Under some programs, an inclusive fee covers account management, brokerage, clearance, custody and administrative services. In other programs, the account may be charged separately for such services. The amount of the fees, services provided, payment structure, termination provisions and other aspects of each program are detailed and disclosed in the third party investment advisor's Form ADV, the wrap fee disclosure brochure or other applicable disclosure or account opening documents.

We are limited in this program because we can only select the services of money managers approved through IMAP. You are advised that there may be other third party managed programs, not recommended by us, that are suitable for your and that may be more or less costly than programs recommended by us. No guarantees

can be made that your financial goals or objectives will be achieved by a third party investment advisor recommended by us. Further, no guarantees of performance can be offered by us.

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

Derby & Derby does not provide performance-based fees and side-by-side management.

### **Item 7 – Types of Clients**

Derby & Derby generally provides advisory services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, and other U.S. institutions.

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

By its nature, financial planning looks to the long-term. We evaluate each client's investments to determine whether they correspond with the client's financial objectives. After we evaluate the client's short-term cash needs and emergency funds, we design and propose investment and insurance strategies to help the client attain his/her financial goals. We utilize many sources of information when formulating investment advice including financial news, research materials and other sources of information. We may also consult with Securities America, Inc.'s marketing department and due diligence staff which reviews the products of other issuers.

Investing in securities involves risk of loss that clients should be prepared to bear. Products recommended by Derby & Derby may be subject to some or all of the following risks.

- **Equity Securities** – Equity securities include common stocks, preferred stocks, convertible securities and mutual funds that invest in these securities. Stock prices rise and fall based on changes in an individual company's financial condition and overall market conditions. Stock prices can decline significantly in response to adverse market conditions, company-specific events, and other domestic and international political and economic developments.

Investing in small capitalization and micro capitalization companies

generally involves greater risks than investing in larger companies. The market may value companies according to size or market capitalization rather than financial performance. As a result, if small cap or micro-cap investing is out of favor, small cap and micro-cap holdings may decline in price even though their fundamentals are sound. They may be more difficult to buy and sell, subject to greater business risks, and more sensitive to market changes, than larger capitalization securities.

We seek to reduce these risks by buying stocks of companies that have established operating histories, strong or improving balance sheets, and growth potential. In addition, we seek to diversify each client's equity investments in a variety of stocks and industry sectors.

- **Fixed Income Securities** – Fixed income securities include corporate bonds, municipal bonds, other debt instruments and mutual funds that invest in these securities. Issuers generally pay a fixed, variable, or floating interest rate, and must repay the amount borrowed at maturity. Some debt instruments, such as zero-coupon bonds, do not pay current interest, but are sold at a discount from their face value. Bond prices generally decline when interest rates rise, and rise when interest rates fall. Longer-term debt and zero-coupon bonds are more sensitive to interest rate changes than debt instruments with shorter maturities.

Fixed income securities are subject to *credit risk*, which is the chance that a bond issuer will fail to pay interest or principal on time. Changes in the credit strength of an issuer may reduce the credit rating of its debt investments and may affect their value. High-quality debt instruments are rated at least AA or its equivalent by any Nationally Recognized Statistical Rating Organization (NRSRO) or are unrated debt instruments of equivalent quality. Issuers of high-grade debt instruments are considered to have a very strong capacity to pay principal and interest. Investment grade debt instruments are rated at least Baa or its equivalent by any NRSRO or are unrated debt instruments of equivalent quality. Baa rated securities are considered to have adequate capacity to pay principal and interest, although they also have speculative characteristics. Lower rated debt securities are more likely to be adversely affected by changes in economic conditions than higher rated debt securities.

U.S. Government securities include securities issued or guaranteed by the U.S. Treasury; issued by a U.S. Government agency; or issued by a

Government-Sponsored Enterprise (GSE). U.S. Treasury securities include direct obligations of the U.S. Treasury, (*i.e.*, Treasury bills, notes and bonds). U.S. Government agency bonds are backed by the full faith and credit of the U.S. Government or guaranteed by the U.S. Treasury (such as securities of the Government National Mortgage Association (GNMA or Ginnie Mae)). GSE bonds are issued by certain federally-chartered but privately-owned corporations, but are neither direct obligations of, nor backed by the full faith and credit of, the U.S. Government. GSE bonds include: bonds issued by Federal Home Loan Banks (FHLB), Federal Farm Credit Banks (FCS), Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac) and the Federal National Mortgage Association (FNMA or Fannie Mae).

- **Foreign Securities** - Investments in foreign securities involve certain risks that differ from the risks of investing in domestic securities. Adverse political, economic, social or other conditions in a foreign country may make the stocks of that country difficult or impossible to sell. It is more difficult to obtain reliable information about some foreign securities. The costs of investing in some foreign markets may be higher than investing in domestic markets. Investments in foreign securities also are subject to currency fluctuations.

We seek to reduce these risks by investing in foreign securities typically through ADRs. ADRs are certificates deposited with a U.S. bank that represent the right to own a foreign security. Since ADRs are traded in U.S. markets and the issuers are subject to the same auditing, accounting and financial reporting standards as domestic securities, owning ADRs has advantages over owning other foreign securities.

- **Investment Companies** - Investment companies include open-end and closed-end investment companies. Shares in investment companies represent interests in professionally managed portfolios. These investments involve substantially the same risks as investing directly in the underlying instruments; in addition, the return from such an investment will be reduced by the operating expenses and fees of the investment company, including applicable advisory fees. Certain types of investment companies, such as closed-end funds, issue a fixed number of shares that trade on a stock exchange or over-the-counter at a premium or discount to their net asset value (“NAV”) per share. This premium or discount may change from time to time. Other investment companies are continuously offered at NAV, but are also traded in the secondary market.

ETFs are open-end investment companies, unit investment trusts or depository receipts that hold portfolios of stocks, commodities and/or currencies that commonly are designed, before expenses, to closely track the performance and dividend yield of (i) a specific index, (ii) a basket of securities, commodities or currencies, or (iii) a particular commodity or currency. Recently, the SEC has authorized the creation of actively managed ETFs. Currently, the types of indices sought to be replicated by ETFs most often include domestic equity indices, fixed income indices, sector indices and foreign or international indices. ETF shares are traded on exchanges and are traded and priced throughout the trading day. ETFs permit an investor to purchase a selling interest in a portfolio of stocks throughout the trading day. Because ETFs trade on an exchange, they may not trade at NAV. Sometimes, the prices of ETFs may vary significantly from the NAVs of the ETFs' underlying securities. Additionally, if an investor decides to redeem ETF shares rather than selling them on a secondary market, the investor may receive the underlying securities which must be sold in order to obtain cash.

- **Annuities** are complex financial products offered by insurance companies. Investment in an annuity contract is subject to both general market risk and the insurance company's credit risk. These and other risks are described in the annuities' prospectuses. Like other types of investments, commissions are paid for the purchase of variable annuities and there may be substantial surrender charges. These commissions, surrender charges, and other expenses are disclosed in the prospectus.

### **Item 9 – Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Derby & Derby or the integrity of Derby & Derby's management. Neither Derby & Derby nor its management personnel have been subject to any legal or disciplinary events that would require disclosure under applicable SEC rules.

### **Item 10 – Other Financial Industry Activities and Affiliation**

Derby & Derby is not, but Victoria Breen is licensed as a registered representative, and is in the business of selling securities products. Derby & Derby is a licensed insurance firm; Victoria Breen is licensed as an insurance agent, and is in the business of selling insurance products. The sale of these products accounts for approximately 50% of our time; the remaining 50% is allotted to advisory services.

## INSURANCE

Some of our advisory representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they may receive fees or commissions for selling these products. This is a conflict of interest. You are under no obligation to act on these insurance recommendations or to direct insurance transactions to insurance companies with which our representatives may be licensed. Suitable insurance and investment products may be available from other companies.

## REGISTERED REPRESENTATIVE

Our advisory representatives are also registered representatives of Securities America, Inc. You can engage them in this separate capacity to render securities brokerage services under a commission arrangement. Our representatives may have a financial incentive to recommend that a financial plan be implemented using a certain product or service. This is a conflict of interest because they could receive commissions in their capacity as registered representatives and could also receive advisory fees in their capacity as an investment advisor representative.

You are under no obligation to use the services of our representatives in this separate capacity or to use Securities America, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use Securities America, Inc. Prior to effecting any transactions, you are required to enter into a new account agreement with Securities America, Inc. The commissions charged by Securities America, Inc. may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional, ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

## THIRD PARTY MONEY MANAGERS

We have formed relationships with independent third party money managers, and may recommend that clients work directly with these money managers. When we refer clients to a third party money manager, we receive a portion of the fee charged by that manager. Therefore, we have a conflict of interest because we only recommend third party money managers that agree to compensate us by paying us a portion of the fees billed to your account managed by the third party manager.

### **Item 11 – Code of Ethics**

Derby & Derby has adopted a Code of Ethics (the “Code”) for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Derby & Derby must acknowledge the terms of the Code annually, or as amended.

Derby & Derby anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will recommend to clients or prospective clients, the purchase or sale of securities in which Derby & Derby and/or its clients, directly or indirectly, have a position of interest. Derby & Derby’s employees are required to follow Derby & Derby’s Code. Subject to the requirements of the Code, officers and employees of Derby & Derby may trade for their own accounts in securities which are recommended to Derby & Derby’s clients. The Code is designed to assure that the personal securities transactions, activities and interests of the employees of Derby & Derby will not interfere with (i) making decisions in the best interest of its clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of our clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is

continually monitored under the Code, and to reasonably prevent conflicts of interest between Derby & Derby and its clients.

A copy of the firm's Code is available free of charge upon request by contacting Donna Lloyd/ Vice President, at 805-646-3729.

### **Item 12 – Brokerage Practices**

Derby & Derby has no arrangements whereby it receives soft dollars.

Derby & Derby's advisory affiliates are registered representatives with Securities America, Inc. If our clients freely choose to implement our advice through us, the broker/dealer is Securities America, Inc.

Securities America, Inc. performs "due diligence" on mutual funds, limited partnerships, and variable annuity products. Only those investments that meet Securities America, Inc.'s requirements will be added to its "approved product list" and be offered for sale to clients.

### **Item 13 – Review of Accounts**

Financial Strategies are long-term financial plans. Financial Strategies clients receive a written financial report at the time of service. Clients are encouraged to update Financial Strategies on an annual basis. However, accounts are reviewed and on-going reports are prepared only if the client specifically engages us to perform this service.

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

Derby & Derby does not offer referral or finder's fees. Derby & Derby may receive cash referral fees as a solicitor for a third party money manager as specified in a Solicitor's Agreement between the client, Derby & Derby and the third party money manager. Each such referral agreement and the related activities of Derby & Derby will be in compliance with Rule 206(4)-3 of the Advisers Act and the related SEC Staff interpretations and other applicable laws and regulations. Rule 206(4)-3 specifies certain standards that must be met by an investment advisor and any person who solicits any client for, or refers any client to, an investment advisor prior to payment of a cash fee directly or indirectly, for client solicitation or referral.



Derby & Derby may act as an insurance agent and, as such, may receive insurance commissions. Derby & Derby does not provide casualty insurance (*e.g.*, homeowner's, auto, liability, etc.).

### **Item 15 – Custody**

Derby & Derby does not maintain actual physical custody of client assets. Clients receive at least quarterly statements from the broker/dealer, bank or other qualified custodian that holds and maintains client's investment assets. Derby & Derby urges you to carefully review such statements to verify their accuracy. You should also compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Derby & Derby does not accept discretionary authority to manage securities accounts on behalf of any of its clients. However, clients typically grant discretionary authority to a contracted third party money manager (as recommended by Derby & Derby via a Solicitor's Agreement) who determines which securities are bought or sold for the account and the total amount of such purchases and sales. In all cases, however, such discretion is to be exercised in a manner consistent with the each client's stated investment objectives.

Such discretionary authority may be made subject to conditions imposed in writing by the client and accepted by the third party money manager. For example, a client may restrict or prohibit purchases of certain types of securities, or direct that transactions be effected through specific brokers/dealers, or impose other limitations.

The investment guidelines and any restrictions or limitations for each client must be provided to Derby & Derby and the third party money manager in writing.

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

Derby & Derby does not have any authority to and does not vote proxies on behalf of its clients. Clients retain the responsibility for receiving and voting proxies and can request that their custodians provide proxies and other solicitations by submitting

instructions directly to their custodians. Alternatively, clients may designate proxy voting authority to a third party.

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

Derby & Derby is not required to include a balance sheet for our most recent fiscal year because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. In this Item, we are required to disclose that Derby & Derby has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. Additionally, Derby & Derby has not been the subject of a bankruptcy proceeding during the past ten years.

### **Item 19 – Requirements for State-Registered Advisors**

Information on Derby & Derby's principal executive officer, Victoria Derby Breen, is provided in our Investment Advisor Brochure Supplement (Form ADV Part 2B).

For information on our other business activities please refer to Item 10.

Neither Derby & Derby nor Victoria Breen receives any performance-based fees.

Neither Derby & Derby nor its management personnel have been involved in any arbitration claim or found liable in any civil, self-regulatory organization or administrative proceeding that would require disclosure under applicable SEC rules.

Neither Derby & Derby nor its management personnel have any relationship with any issuer of securities other than those described in Item 10.



Derby & Derby, Inc.

603 West Ojai Ave, Suite C

P.O. Box 189

Ojai, CA 93024

805-646-3729

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

January 4, 2018

This Brochure Supplement provides information about Advisory Affiliates of our firm that supplements the Derby & Derby, Inc. Brochure. You should have received a copy of that Brochure. If you did not, or if you have any questions about the contents of this supplement, please contact us at (805) 646-3729.

Additional information about Mrs. Breen is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **VICTORIA LOUISE DERBY BREEN**

### **Educational Background and Business Experience**

Year of birth 1951

Attended U.C. Santa Barbara 1968-1972

President and Owner of Derby & Derby, Inc. 1986 to present

Registered Principal with Securities America, Inc. 12/2016 to present

Registered Principal with Foothill Securities, Inc. 4/2015-12/2016

Registered Principal with Transamerica Financial Advisors, Inc. 12/1994-4/2015

Officer and Director of Pacific Global Investment Management Company, a registered investment advisor 2/1992-11/2016

Officer and Director of Pacific Global Fund Inc. dba Pacific Advisors Fund Inc., a registered investment company 2/1992-11/2016

Securities Licenses: Series 1 (since 1979), Series 7 (since 1983), Series 24 (since 1983), Series 63 (since 1990), Series 51 (since 2003)

State Securities Registrations: AL AZ CA CO FL GA HI IL MA NM NY OR TN UT WA

Insurance Licenses: California 0575624 (life, fixed and variable annuities, long term care)

### **Disciplinary Information**

We are required to disclose all material facts regarding any legal disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Victoria has not been subject to any legal or disciplinary events that would require disclosure under applicable SEC rules.

### **Other Business Activities**

Victoria is a California Department of Insurance Agent of which she spends approximately 10 hours per month and is compensated directly from the insurance companies. Victoria volunteers for the Villanova Preparatory High School Finance Committee of which she spends approximately 3 hours per month and receives no compensation.

### **Additional Compensation**

Victoria may receive commissions when acting as a Registered Principal of Securities America, Inc. or directly from insurance companies in her capacity as an insurance agent. These services and the compensation there on are provided separately from any advisory agreements.

### **Supervision**

Victoria is the President and Chief Compliance Officer of Derby & Derby, Inc. Derby & Derby, Inc. has adopted written policies and procedures which are designed to set standards and internal controls for the firm, its employees, and its businesses and are also reasonably designed to detect and prevent any violations of regulatory requirements and the firm's policies and procedures.

Victoria Breen is supervised by Donna M. Lloyd, Vice President. She reviews Mrs. Breen's work through frequent office interactions as well as remote interactions. Donna Lloyd may be contacted by phone at 805-646-3729 or via email at [donna@derbyandderby.com](mailto:donna@derbyandderby.com)

### **Requirements for State-Registered Advisors**

Victoria does not have, nor has she ever had, any reportable arbitration claims, has not been found liable in a reportable civil, self-regulatory organization proceeding or administrative proceeding, and has not been the subject of a bankruptcy petition.