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12 Squared Associates, LLC - ADV Part 2 Brochure

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12 Squared Associates, LLC
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January 7, 2025

This Brochure provides information about the qualifications and business practices of 12 Squared Associates, LLC (“We”, “Us”, “Our firm”). If you have any questions about the contents of this brochure, please contact us at 818-748-6406 or service@12squaredllc.com. The information in this brochure has neither been approved nor verified by the United States Securities and Exchange Commission nor by any state securities authority.

12 Squared Associates, LLC dba 12 Squared is a registered investment adviser, registered in the state of California. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information with which you determine whether to hire or retain the adviser.

Additional information about 12 Squared Associates, LLC is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with the advisor, who are registered or are required to be registered as investment adviser representatives of 12 Squared Associates, LLC dba 12 Squared.

Item 2 - Material Changes

A recent inheritance distribution of family assets has reduced 12 Squared’s assets under management.

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Item 4 – Advisory Business

We are an independent investment advisory firm established in 2008. We are solely owned and managed by Bradley Gross. Our firm offers portfolio management and financial planning services. We help people invest their money by using a comprehensive investment philosophy and procedure. This involves a thorough examination and evaluation of the client’s current assets and financial condition. Using an interview process and questionnaires, we investigate and analyze each client’s personal circumstances in an effort to understand who they are, what their risk tolerance is, and what their needs, goals and expectations are. An Investment Policy Statement is then created that reflects each client’s individual situation. From this we develop a diversified, conservative core account, a portfolio of mutual funds that realistically addresses the client’s investment needs. If we are managing the portfolio, we monitor its performance on an on-going basis and suggest changes when either market conditions or the client’s personal or financial conditions change. Each client is unique and their investment portfolio should reflect this. Our investment procedure is a mutual process that is contingent on the client’s participation in providing the relevant information necessary in creating the Investment Policy Statement.

A client may elect to be advised on an hourly basis. In which case, they can specify exactly what they are looking for and will be charged only for the time spent in fulfilling their requests.

Much of our work revolves around helping clients prepare for and/or manage the financial aspects of their retirement. The time horizons can vary significantly, as clients may be saving for a retirement years away, or

they are seeking present income to maintain or enhance their lifestyle. Liquidity needs, changes in employment, personal circumstances or financial status as well as the state of the general economy can all play a role in the advice we provide and should always be appraised and appreciated as part of our on-going management process. Clients may impose investment restrictions and or suggest investment solutions for any of their accounts.

As of December 31st, 2024, we served as the adviser for accounts totaling \$22 million. \$17 million was viewed as assets under management, for which a percentage fee was charged. These accounts are discretionary. The other \$5 million was in accounts that were billed on an hourly basis, where we provided such services as portfolio analysis and review, investment and asset allocation recommendations and suggestions as well as pro bono services for family members and close friends.

Although the majority of our business is managing investment portfolios and providing investment advice, we do on occasion recommend and sell certain insurance products, such as life insurance and annuities, when they appear to be appropriate for the client.

Item 5 - Fees and Compensation

Our business is fee based. We work for a percentage of the assets we have under management or for an hourly rate. We believe our fee is quite reasonable. We normally charge a rate of .5% (one half of one percent) per year for managing a portfolio of open-end mutual funds and other investment products. Fees can vary depending on services requested. Our hourly rate ranges from \$125.00 to \$250.00. All fees are negotiable. Almost all of 12 Squared's revenues come from a fee charged for assets under management. It is possible to receive an hourly fee or an insurance commission. These amounts are usually under 2% of total revenues. When a commissionable insurance product is sold to a client, that commission is our only compensation. We do not include that asset as part of their assets under management.

We will on occasion, when requested, charge a fixed, flat fee for a particular service or solicited advice.

The specific manner in which fees are charged by the adviser is established in a written agreement with the client. The fee for assets-under-management is charged quarterly in advance based on the value of the account on the last day of the previous quarter. We normally deduct the amount from the client's account(s). However, in rare cases, we will agree to bill clients directly. As part of this process, you understand and acknowledge the following: (a) Your independent custodian sends statements at least quarterly to you showing all disbursements from your account, including the amount of the advisory fees paid to us; (b) You provide authorization permitting us to be directly paid by these terms.

In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees. To determine the rebate the **Advisor** will divide the number of days remaining in the quarter by the total number of days in the quarter, this number will reflect the percentage of the fee to be refunded to the **Client**.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties, including such fees as charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. 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 our fee, and we shall not receive any portion of these commissions, fees, and costs.

12 Squared's fees may be reduced or waived at the firm's discretion.

Item 6 - Performance Based Fees

We do not charge any performance based fees.

Item 7 – Types of Clients

We provide investment advice and portfolio management services to individuals, high net worth individuals, small corporations and companies, pension and profit-sharing plans, trusts and estates. There is a minimum amount of assets under management of \$400,000 per client. 12 Squared is free to waive this requirement at its own discretion.

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

We generally take a long-term approach to stock, bond and other investments. Each client's time frame will affect how their portfolio is invested. Short-term liquidity needs must always be considered in relation to long term goals. For most accounts, we believe a balanced diversified portfolio across different asset classes is a basic element of long-term investment success. Low costs, whether for management or transaction fees, can also be contributing factor. For most accounts, we use a selection of open-end mutual funds. However, depending on client requests and personal needs, individual, stocks, bonds, closed-end mutual funds, ETFs(exchange trade funds), UITs(unit investment trusts), government securities, certificates of deposits, options contracts, LLPs(limited liability partnerships), MLPs (master limited partnerships), SMAs(separately managed accounts), REITs(real estate investment trusts) or annuities might be used. For certain qualified clients, we may even invest in private equity or hedge funds. These choices are made with careful consideration and are contingent on the sophistication of the investor.

12 Squared feels that most of its clients are best served with a selection of open-end mutual funds that cover an appropriate allocation of investment assets. We therefore go to great lengths to determine the viability and effectiveness of different mutual fund managers. This allows us to diversify not only between different asset classes but also between different investment philosophies. We believe that excessive short term trading tends to be overly speculative and does not necessarily improve long term investment results.

Our long-term approach does not negate the importance of maintaining a current perspective on the markets and the world economic situation. This requires steady vigilance. We use charting, fundamental analysis, technical analysis, and cyclical economic evaluations as well as continuous study through the financial press, research materials prepared by various firms, annual reports, prospectuses, SEC filings and company press releases. Knowledge is power. Our clients will be best served if we stay as well informed as we possibly can.

Investing in securities involves risk of loss that all clients should be prepared to bear. With this in mind, we consider managing other people's money an honor and a privilege, which we do not accept lightly. We fully recognize the importance of our actions and responsibilities for our clients.

After a client has provided the necessary information regarding their financial circumstances, and we have determined what their risk tolerance is, we develop an Investment Policy Statement, which outlines the proposed allocations and investment vehicles for the client.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We have no information applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

The Investment Adviser Representative of our firm is a licensed insurance agent through various insurance companies. In such capacity, he may offer insurance products and receive normal and customary commissions as a result of such a purchase. This presents a conflict of interest to the extent that the recommended purchase of an insurance product results in a commission being paid to the representative as an insurance agent.

We use Fidelity Investments as a custodian for most clients' accounts and although 12 Squared may recommend Fidelity investment products for clients, we receive no compensation for these sales.

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

We have adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics 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, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at our firm must acknowledge the terms of the Code of Ethics annually or as amended.

We anticipate that, in appropriate circumstances, consistent with clients' investment objectives, we may recommend purchase of or investment in securities in which we or our employees hold a personal position. In such cases our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of our firm will not interfere with (i) making decisions in the best interest of advisory 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 of Ethics 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 of Ethics, and to reasonably prevent conflicts of interest between us and our clients. Our clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Bradley Gross.

All trades for client accounts are made individually. We do not aggregate transactions, nor do we act as a principal in any securities transactions. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

Item 12 – Brokerage Practices

Our firm has an arrangement with Fidelity Brokerage Services LLC ("Fidelity") which provides our firm with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record-keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients.

Fidelity also makes certain research and brokerage services available at no additional cost to our firm. Research products and services provided by Fidelity to our firm may include research reports on recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and

other products or services that provide lawful and appropriate assistance by Fidelity to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving the services discussed above for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and we have determined that the relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds. Commissions are no longer charged for individual equity and debt securities transactions). Fidelity enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally discounted from customary retail commission rates. However, the commission and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

Clients may pay a commission to Fidelity that is higher than what another qualified broker dealer might charge to effect the same transaction, where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Currently Fidelity does not charge a sales commission for stock or equity transactions. Under certain circumstances, they do charge a fee for certain mutual fund transactions.

Although we recommend Fidelity as the broker and custodian of their securities, at the client's request we will consider other broker/dealers.

Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of soft dollar benefits.

Item 13 - Review of Accounts

Mr. Bradley Gross will generally review all accounts at least quarterly, but will do so no less than annually. More frequent reviews may be requested by the client, or be suggested by Mr. Gross based on factors such as the general economy, market conditions, changes in client circumstances, etc.

Item 14 - Client Referrals and Other Compensation

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with State statutes and rules. We only receive compensation from non-clients in the form of commissions paid for insurance products.

Item 15 - Custody

We do not maintain custody of client assets.

However, we have adopted the following safeguarding procedures:

- (1) Our clients must provide us with written authorization permitting direct payment to us of our advisory fees from their account(s) maintained by a custodian who is independent of our firm;
- (2) We must send a statement to our clients showing the amount of our fee, the value of the assets upon which our fee was based, and the specific manner in which our fee was calculated;
- (3) We must disclose to you that it is your responsibility to verify the accuracy of our fee calculation, and that the custodian will not determine whether the fee is properly calculated; and
- (4) Your account custodian must agree to send you a statement, at least quarterly, showing all disbursements from your account, including advisory fees.

Item 16 - Investment Discretion

All my clients except those on hourly contracts are managed on a discretionary basis. This permission will always be written out. In all cases, such discretion will be exercised in a manner consistent with the stated investment objectives for the particular client's account.

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the individual client. Investment guidelines and restrictions must be provided to us in writing.

Item 17 - Voting Client Securities

As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory clients. However, third party money managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event a third party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a third party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

Item 18 - Financial Information

Registered investment advisers are required in this item to provide you with certain financial information or disclosures about our firm's financial condition. The firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and it has not been the subject of a bankruptcy proceeding.

We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$500 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.
We have never been the subject of a bankruptcy proceeding.

Item 19 - Requirements for State Registered Advisers

Bradley M Gross, President, Managing Member and Chief Compliance Officer of 12 Squared Associates, LLC

DOB - Jan 30, 1951

Educational and Business Experience:

Bachelor of Arts, University of California, Berkeley

03/2008 to Present – Owns and manages 12 Squared Associates, LLC, as the President, Managing Member and Chief Compliance Officer – Studio City, CA

08/2006 to 02/2008 – Sagemark Consulting, Financial Planner – Westlake Village, CA

08/2006 to 02/2008 Lincoln Financial Advisors - Registered Representative - Westlake Village, CA

10/2005-7/2006: Investment Advisor Representative and Registered Rep H.D. Vest. Local Office: 4234

Elmer Ave, Studio City, CA 91602 Corp Office: 6333 North State Highway 161, 4th Floor, Irving, TX 75038.

Prior to August 2005, Bradley Gross was employed in the television and motion picture industry. He worked in several capacities, including as a director, producer, assistant director, and production manager. Brad was and still is a member in good standing of the Directors Guild of America.

As preparation for his transition into providing financial advice, Brad became a Certified Financial Planner.

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board’s financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one’s ability to correctly diagnose financial planning issues and apply one’s knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board’s *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The *Standards* prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.