

## **Peter E. Shimkus**

### **Investment Advisor Brochure**

Peter Shimkus brings 43 years of investment experience to benefit his clients. He tracks and selects the best managed no-load mutual funds for each sector of a client's asset allocation and investment goals. His advisory fee is .4% to .8% annually compared to the 1.0% to 2.5% range charged by higher overhead Wall Street firms. His general strategy is to broadly diversify each portfolio and to minimize all client costs including fund expenses, trading costs, and federal and state taxes. For certain high net worth clients, he might also recommend income or growth oriented private real estate investments offered through Chauner Securities Inc. that have the potential to produce higher after-tax returns. If you are a potential new client, Peter welcomes you to read more about an investment advisory relationship with his firm.

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**This brochure provides information about the qualifications and business practices of Peter E. Shimkus. If you have any questions about the contents of this brochure, please contact us at (508) 414-2438 or [Peter@Chaunersecurities.com](mailto:Peter@Chaunersecurities.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 Peter E. Shimkus is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 1. Business phone and contact information**

**Item 2. Material Changes**

Since my last brochure update, I have moved my office to 8 Lynbrook Road in Southborough, Massachusetts (my life-long home). I am generally available during normal business hours, but clients are encouraged to call me whenever they need help. I can say that after 35 years, I don't miss the commute to Boston!

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**Item 4. Advisory Business**

I was registered as an Investment Adviser with the United States Securities and Exchange Commission (SEC) in May of 1993. I own 100% of the business but anticipate adding a partner who will maintain and grow the business.

Academic

Attended St. Mark's School in Southborough, MA on a full academic scholarship and later earned a Bachelor of Arts degree from The College of Holy Cross in 1968. Graduated from Boston University's School of Business Administration with a Master's Degree in Finance in 1973. Received a Chartered Life Underwriters (CLU) designation from the American College in Bryn Mawr, PA in 1975.

### Professional

Following Holy Cross, I joined a NASD broker dealer, NELESCO, which was the mutual funds distributor for New England Mutual Life Insurance Company in Boston, MA.

In 1971, I became registered with the National Association of Securities Dealers (NASD) as a registered representative and a registered Securities Principal.

Soon thereafter, I was named the National Mutual Fund Manager for National Life Insurance Company of Vermont, where I specialized in facilitating educational seminars on mutual funds, variable annuities and life insurance products.

In 1976, I returned to Boston as a registered representative with a NASD registered broker dealer and started a practice with my own clientele in the more sophisticated investment areas of Regulation D private placements, tax planning for higher income individuals, oil and gas leasing and drilling programs as well as real estate investments. As my business grew, I passed the NASD's Uniform Securities Agent State Law examination to serve clients in other states.

Over time, individual clients have invested over \$50 million with me in these private placement offerings.

From 1991 through 1999, I worked as a registered representative of Michel Securities, Ltd. in retailing and wholesaling private placements of Low Income Housing Tax Credit ("LIHTC") partnerships as well as some income producing real estate partnerships. Currently, in addition to my investment advisory business, I am a registered representative with Chauner Securities, Inc., a FINRA broker dealer which distributes private placement investments in real estate. When placing advisory or non-advisory clients in such Limited Liability Companies, a commission is earned from Chauner Securities, Inc., as described in the Memorandum of each offering.

Other compensation may involve service fees in the case of "Fund" investments and possible participation in the proceeds of a successful property sale, as described in the Offering Memorandum.

### Investment Advisory Services

Today, I serve as a fee-based Investment Adviser to investors with a variety of financial objectives. The fee is negotiable, but it will generally range from .8% to .4% of the assets under management, depending on the size and complexity of a client's situation. The fee is paid quarterly in arrears in February, May, August and

November and is deducted automatically from the client's account by the account custodian.

The minimum investment account size is \$200,000, although smaller accounts will be accepted if the client intends to add future dollars in order to meet the minimum.

- A. Most of my clients are individuals and families who have brokerage accounts and IRAs, but I may also provide investment advisory services for custodial accounts, pension plans, trusts, estates and businesses. In implementing an overall investment strategy for a client, I rely upon my 43 years of investment experience to determine the appropriate asset allocation strategy. I will then choose what I feel are the most appropriate investments in each asset class to attain the clients' goals.
- B. Client investment accounts are managed using "no load" mutual funds and general securities. I do not generally recommend the purchase of individual stocks for clients but I will assist them in trading if there are specific securities they seek to own.

A typical client account will consist of "no load" mutual funds from Vanguard, Fidelity, T. Rowe Price, Longleaf or other quality management companies.

- C. Client portfolios and their asset allocation are tailored to the circumstances and needs of each client based upon an initial client interview and follow-up conversations. Clients are responsible for informing me of any material changes to their goals or risk tolerance. New clients are asked to complete an investor questionnaire to start the process.

Clients are always able to place restrictions on investing in certain securities or types of securities.

- D. Assets Under Management: As of December 31, 2010, I managed a total of \$45,800,000 (all on a discretionary basis). This does not include the significant funds that clients have invested with me in real estate private placements in equity and note offerings through Chauner Securities, Inc.

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

- A. The fee for managing client accounts ranges from .8% to .4% of managed assets annually. The fee is negotiable depending on the size and complexity of the client's account, but it will generally start at .8% annually.
- B. The fee for managing client accounts is deducted quarterly in arrears based on "managed assets" calculated at the end of January, April, July and October (or in the case of Vanguard, at previous quarter's end valuations). Fees may be aggregated at the client's request and deducted from specific accounts.

- C. Other fees and expenses that advisory clients pay are the normal expense ratio that “no load” funds charge. These generally range from .25% to 1.25% or higher annually, depending on the fund’s investment objectives and management. I always attempt to minimize these fees in the management of a client’s portfolio.

Clients will incur normal custodial, brokerage and trading costs in connection with building and maintaining a portfolio (see Brokerage section of this report).

- D. Clients never pay advisory fees in advance.

- E. I do not receive any asset based sales charges or service fees in the management of clients’ no load mutual fund portfolios, so there is no conflict of interest in what funds are used. My only compensation in this regard is the fee agreed to by the client.

1. A potential conflict of interest arises when a client purchases a private real estate investment from me through Chauner Securities, Inc. since I then receive an “up-front” commission (and possible service fees or “back-end” compensation.) The procedure for avoiding this conflict is the discuss with the client all of the fees outlined in Offering Memorandum and assure that the client understands the difference between the liquidity of a no load mutual fund portfolio and the illiquidity of a private placement. Care is taken to avoid illiquid investments if the client requires the need to raise cash in the future.

In certain real estate offerings, Chauner Securities, Inc. may receive a residual participation in the sale of the property. The Chauner selling representatives, including myself, may share in this “back end” interest in the event of a successful sale. Again, this potential compensation is disclosed in the Offering Memorandum as compensation to Chauner Securities, Inc.

2. Clients always have the option to purchase investment products that I recommend through other brokers or agents that are not affiliated with me.
3. Less than 50% of my compensation annually comes from the sale of private real estate investments.

**Item 6. Performance-based Fees**

I do not charge performance-based fees

**Item 7. Types of Clients**

My advisory clients are primarily individuals and families seeking to grow their net

worth on a tax advantaged way to provide for educational expenses, retirement or other goals. I also manage trusts and pension plans. The minimum account size is \$200,000 although lesser amounts will be accepted if the client intends to meet the minimum.

**Item 8. Method of Analysis, Investment Strategies and Risk of Loss**

In managing client assets, I request that a new client complete a questionnaire indicating which assets they currently own in taxable and tax-deferred accounts. We then discuss the potential return and volatility of various overall asset allocations, such as:

<u>Investment Objective</u>	<u>Equity Mutual Funds</u>	<u>Bond Mutual Funds</u>
Income	0% to 20%	80% to 100%
Growth and Income	40% to 60%	40% to 60%
Growth	60% to 80%	20% to 40%
Aggressive Growth	80% to 100%	0% to 20%

These allocations are considered to be general guidelines and are not strictly adhered to in the management of a portfolio due to market swings. They serve as a useful stating point, however, for a discussion of risk. Clients are made aware that all asset allocations involve risk of loss, even conservative plans where a persistent and real problem is declining purchasing power due to inflation.

The primary risk in equity fund investing is the potential for loss of principal, even over long time periods. This compares to bond fund investing, where fluctuations are generally less volatile than their equity counterparts, but where the principal risk is still very real.

Clients should be prepared to bear the risk of loss in order to have a chance to reach their goals on an inflation-adjusted basis.

**Private Real Estate Investments**

At times, I may recommend a private real estate investment for a particular client. The risks involved in these investments are detailed in full in each Offering Memorandum. A key consideration of these types of investments is the illiquidity of the investment compared to open-end, no-load funds where money can be liquidated when needed (subject to market fluctuations, of course.)

Nevertheless, private placement investments in real estate can offer potentially greater rates of return and may be appropriate for certain clients.

## Tax Management

I make a critical distinction between taxable accounts and non-taxable accounts such as qualified retirement plans. My typical client is in a 32% to 40% combined federal and state tax bracket annually. To pay taxes at these rates every year makes it very difficult to compound a client's net worth effectively. That is why I will generally recommend a combination of "active" and "passive" portfolio management techniques in order to achieve the highest after-tax investment returns.

## General

I do not provide security analysis, but rely upon my own judgment and experience and adapt them to each client's special needs and circumstances.

My main sources of information are financial magazines for investment advisors, general magazines, newspapers such as the Wall Street Journal and mutual fund management performance rating services. I also benefit from the advice and recommendations of many professionals with whom I have become friends over the past forty years in business.

My investment strategy is for the long-term. Occasionally, I may purchase the same products that I recommend to clients, but there is no conflict of interest as the securities are widely-held and publicly traded.

My fee is the only compensation I receive for my investment advisory and planning services. I do not receive 12b-1 trailing commissions or other forms of direct or indirect compensation from mutual fund management companies (as many other advisors do).

Client accounts are reviewed on a regular basis. Clients receive a comprehensive monthly or quarterly statement from their account custodian. I do not compensate directly or indirectly for client referrals.

### **Item 9. Disciplinary Information**

There has never been any disciplinary action taken by regulators regarding Peter E. Shimkus.

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

Peter E. Shimkus has no current or pending affiliations or activities that would present a conflict of interest with his clients.

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

Peter E. Shimkus maintains a Code of Ethics which details the high standards to which he adheres, including business conduct, adherence to securities laws, disclosure of potential conflicts of interest and personal trading. For example, Peter Shimkus purchases no-load mutual funds and occasionally individual equities for his own accounts, but there is no conflict since they are widely held and publicly traded.

From time to time I will also purchase the same real estate private placements that my clients buy from Chauner Securities, Inc. (at the retail price less the commission.)

## **Item 12. Brokerage Practices**

### **The Custodian and Brokers We Use**

Peter E. Shimkus does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 – Custody, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian.(or possibly Vanguard Group or Mesirow Financial Inc.) We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see “Your Brokerage and Custody Costs”).

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)

- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us From Schwab”)

### **Your Brokerage and Custody Costs**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. This commitment benefits you because the overall commission rates and fees you pay are lower than they would be otherwise. In addition to these charges, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How We Select Brokers/Custodians”).

### **Products and Services Available to Us From Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us

manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

**Services That Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services That May Not Directly Benefit You.**

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Services That Generally Benefit Only Us.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and

insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us. We have \$45 million in client assets under management, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

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

Client accounts and the performance of the mutual funds in them are reviewed on a regular basis, usually 3 to 4 times a week. The review is meant to assure that the client's planned asset allocation is being met and that the no-load fund managers chosen for each market sector are on track to produce the desired investment results over the long term.

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

Peter Shimkus does not compensate directly or indirectly for client referrals.

### **Item 15. Custody**

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully

review those statements promptly when you receive them.

**Item 16. Investment Discretion**

I have discretionary authority to manage client funds; however, clients are free to identify funds or sectors in which they would prefer not to invest. Before accepting discretion, a careful review of the client's current assets, income, investment objectives and risk profile is conducted and discussed.

**Item 17. Voting Client Securities**

I do not have authority to vote client securities.

**Item 18 Financial Information**

A. I do not require or solicit the prepayment of advisory fees.

B. I have no financial condition that is likely to impair my ability to meet my contractual obligation to clients.

**Item 19 Requirements for State Registered Advisors**

The information required is already found in this brochure.