

# Petersen, Flynn & Dinsmore, Inc.

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Petersen, Flynn & Dinsmore, Inc. (“PF&D”). If you have any questions about the contents of this brochure, please contact us at 650-566-9650. 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 PF&D is also available on the SEC’s website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

PF&D's most recent update to Part 2 of Form ADV was made in February 2011. PF&D's business activities have not changed materially since the time of that update.

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## Advisory Business

PF&D was founded in 1978 and is primarily owned by Bradford Dinsmore, Mason Ford, and M. Bradford Branson. As of December 31, 2011, PF&D managed \$414.9 million on a discretionary basis and \$6.2 million on a non-discretionary basis.

PF&D provides investment advice and management to separate managed accounts. Advisory services are generally limited to equity and fixed income management. All client assets are managed in a similar manner subject to the individual needs and restrictions placed on each client account.

## Fees and Compensation

Compensation provided to PF&D is negotiable and varies, but typically, PF&D charges an annual fee of 1.0% of the value of a client account up to \$2 million; and 0.7% of the value of a client account over \$2 million. Certain nonprofit clients, sub-advised client accounts, and long-standing clients of PF&D may pay lower fees. Clients may select how they wish to pay PF&D for the advisory services. PF&D can directly debit advisory fees from the client's account or invoice the client for the advisory fee. Regardless of the method chosen, PF&D sends each client a statement showing the amount of assets in which the advisory fee is calculated along with the fee that has been debited from the client's account or due to PF&D.

Fees are typically paid in quarterly installments at the end of each calendar quarter based on the net market value of the client's account at the close of the market on the date the fee accrues and becomes payable.

A client may terminate an individually managed account by giving 30 days' written notice. In most cases the pro-rata portion of the advisory fee owed through the date of termination are charged to the client.

PF&D may recommend that clients invest in mutual funds. All fees charged by PF&D for investment supervisory services will be separate and distinct from the fees and expenses charged by mutual funds to their investors. These fees and expenses are described in each mutual fund's prospectus. These fees will generally include a management fee, other expenses, and a possible distribution fee. Clients are also responsible for bearing all trading costs and custodial fees. For additional information about brokerage, please see the "Brokerage Selection" section of this brochure.

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

PF&D does not charge any performance fees.

## **Types of Clients**

PF&D primarily provides customized investment management services to individuals, associated trusts, estates, or charitable organizations, pension and profit sharing plans, and other corporations or business entities.

PF&D generally requires a minimum investment of \$2 million to open a separately managed account. This minimum may be waived by PF&D in its discretion.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

PF&D employs a capital preservation investment philosophy. The primary goal is to participate in rising markets while avoiding substantial market declines. PF&D conducts fundamental, technical, and cyclical analysis on all securities recommended for client accounts. The investment process incorporates researching and analyzing daily information on a macroeconomic and company specific level. Fundamental analysis combined with valuation discipline drives the decision making process of when to take investment action. PF&D attempts to invest in fundamentally sound companies. All investments are made in the equity and fixed income securities of public, exchange-traded companies.

Individual investment decisions are based on the goals and objectives of each individual client. PF&D believes in proper diversification to achieve higher return with less risk. Certain clients are willing to take investment risks that others are not. Accordingly, PF&D is willing to hold relatively concentrated positions in order to make sure we invest in our "best" ideas. However, we will hold enough individual securities in an account to diversify the majority of individual security risk. All investing, regardless of the risk tolerance involves risk of loss that clients should be prepared to bear. Performance could be hurt by a number of different market risks.

## **Disciplinary Information**

PF&D and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

PF&D and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

To avoid any potential conflicts of interest involving personal trades, PF&D has adopted a Code of Ethics, which includes a Personal Securities Transaction Policy ("PST Policy") and insider trading policies and procedures. PF&D's Code of Ethics requires, among other things, that Employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of PF&D above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

PF&D's employees are permitted to invest in the same securities that we recommend to clients. However, we require all employees to pre-clear personal securities transactions and report personal securities transactions on at least a quarterly basis to ensure that no employees are trading ahead of or otherwise placing trades personally to the detriment of PF&D's clients. PF&D also requires employees to provide PF&D with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which the employee has a direct or indirect beneficial interest.

A copy of PF&D's Code of Ethics shall be provided to any client or prospective client upon request.

## Brokerage Practices

PF&D or the client may select the broker to be used and the commission rates to be paid. If PF&D selects a broker for any transaction or series of transactions, PF&D may consider a number of factors, including, for example, net price, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, order of call, offering to PF&D on-line access to computerized data regarding clients' accounts and other matters involved in the receipt of brokerage services. PF&D allows certain brokers to pay for certain research services, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports consultations, performance measurement data and the like (a "soft dollar" relationship). PF&D may pay a brokerage commission in excess of what another broker-dealer might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services. In such a case, PF&D determines in good faith that such commission is reasonable in relation to the value of brokerage, research and other services provided by such broker-dealer, viewed in terms of PF&D's overall responsibilities to the portfolios over which PF&D exercise investment authority. PF&D receives an economic benefit because we do not have to produce or pay for the research, products or services. PF&D also has an incentive to select or recommend brokers to receive soft dollar products and services.

It should be noted that one account may pay higher brokerage commissions than are otherwise available or may pay more brokerage commissions based on account trading activity. In addition, some clients may direct PF&D to use a broker that does not provide soft dollar benefits to PF&D. Nevertheless, the research and other benefits resulting from the soft dollar relationships will benefit all accounts managed by PF&D and PF&D's operations as a whole. PF&D's relationships with brokerage firms that provide soft dollar services to PF&D influence PF&D's judgment in allocating brokerage transactions for PF&D's clients, particularly to the extent that PF&D uses soft dollars to pay expenses it would otherwise be required to pay itself.

PF&D may place client's trades through the broker that refers the client to PF&D. Placing trades with a broker that refers clients to PF&D creates a conflict of interest in that PF&D has an incentive to refer its clients' brokerage business to brokers through which it might not otherwise transact. PF&D understands, however, and carefully complies with its fiduciary obligations to its advisory clients. All of PF&D's brokerage relationships are regularly reviewed to determine their competitiveness with industry standards.

If a client directs PF&D to use a specific broker, PF&D will not negotiate the terms and conditions (including, but not limited to, commission rates) relating to the services provided by such broker. PF&D will be limited in its ability to obtain the best prices or particular commission rates with any such broker. Thus, the client may not obtain rates as low as it might otherwise obtain if PF&D has discretion to select broker-dealers other than those chosen by the client. Additionally, the client may not participate in aggregated securities transactions, as described below. Notwithstanding whether or not a client has directed his/her brokerage to a specific broker, clients transacting in over-the-counter securities may pay an agency commission in addition to a markup or markdown on the security.

PF&D may aggregate sale and purchase orders for a client with similar orders being made contemporaneously for other accounts managed by PF&D or with accounts of affiliates of PF&D. In such event, the average price of all securities purchased or sold will be determined and a client will be charged or credited, as the case may be, the average transaction price. As a result, the price may be more or less favorable to the client than it would be if similar transactions were not being aggregated with other accounts.

PF&D may not aggregate securities sale and purchase orders for several reasons, including that it may not believe that such trades are advantageous for clients. Brokers may also limit PF&D's ability to place aggregate orders, and directed brokerage arrangements may preclude it from aggregating orders. In any event, not aggregating securities purchase and sale orders may or may not have a negative net price impact on the overall execution of the order. However, clients generally would not receive the benefit of a reduced commission rate, which may be achieved when aggregating securities orders.

PF&D may occasionally be allocated the opportunity to purchase securities in public offerings for client accounts. These allocations are offered to PF&D in part as a result of its past usage of the various brokerage firms. Generally speaking, clients will not be eligible to participate in an allocation of shares of a new issue if those new issue shares are provided by brokers other than the broker that is the custodian of the client's account. PF&D will allocate securities purchased in these offerings to eligible client accounts on a fair and equitable basis.

Because PF&D engages in an investment advisory business and manages more than one account, there may be conflicts of interest over PF&D's time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by PF&D. PF&D will attempt to resolve all such conflicts in a manner that is generally fair to all of its clients. PF&D may give advice and take action with respect to any of its clients that may differ from advice given or the timing or nature of action taken with respect to any particular client. However, it is PF&D's policy, to the extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients. PF&D is not obliged to acquire for any account any security that PF&D and/or its officers, partners, members or employees may acquire for its or their own accounts or for the account of any other client, if in the absolute discretion of PF&D, it is not practical or desirable to acquire a position in such security for that account.

With respect to the timing of the placement of client transactions, PF&D's policy is to contact brokers on a systematic rotational basis to execute securities transactions in client accounts. For example, if PF&D were to trade in one security for multiple client accounts on the same day, PF&D generally does not prioritize contacting one broker/custodian over another when executing the transaction. PF&D contacts each of its clients' brokers on a rotational basis (directed or otherwise) in order to fill the allocations.

## **Review of Accounts**

Accounts are regularly monitored and reviewed by the portfolio managers. The review considers the individual securities held, allocation of assets (i.e., fixed income, common stocks and cash) and a determination of whether the client's objectives are being met. Bradford W. Dinsmore, President, Mason W. Ford, Vice President, and M. Brad Branson, Vice President, manage

accounts on a “team” basis. The managers are familiar with the goals and objectives of each of the accounts under management.

Clients are furnished a regular written report showing assets held, cost basis, current market and anticipated income, either on a monthly or quarterly basis. Clients also receive monthly statements directly from the independent account custodian.

## **Client Referrals and Other Compensation**

PF&D does not receive any economic benefit from someone who is not a client. Other than directing brokerage for client referrals, PF&D does not compensate anyone for client referrals.

## **Custody**

PF&D is deemed to have custody of your assets if you authorize us to instruct your independent custodian to deduct our advisory fees directly from your account. The custodian maintains actual custody of your assets. You will receive account statements directly from your custodian at least quarterly. Clients should carefully review the statements received from your custodian. You should also compare the account statements you receive from PF&D with those that you receive from your qualified custodian.

## **Investment Discretion**

Subject to client investment guidelines and restrictions, PF&D typically has complete discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent. Basic investment parameters are set during an initial client meeting and formally documented through an Arrangement Letter. PF&D is provided investment discretion through the execution of an Investment Advisory Agreement.

PF&D also provides investment advice and management on a non-discretionary basis.

## **Voting Client Securities**

Among the services that PF&D provides is that we vote proxies on your behalf. PF&D generally votes proxies for its managed accounts. Clients should make reasonable efforts to instruct their custodian to promptly forward all proxy voting ballots to PF&D. PF&D will also make a reasonable effort to contact a custodian if PF&D believes that the custodian may not be appropriately sending relevant proxy ballots to PF&D. Nonetheless, PF&D can only vote proxies that it receives. PF&D will vote proxies according to its proxy voting policies and procedures and Rule 206(4)-6 of the Advisers Act. Our policy is to vote your proxies in the interest of maximizing shareholder value. To that end, PF&D will vote in a way that it believes, consistent with its fiduciary duty, will cause the issue to increase the most or decline the least in value. Consideration will be given to both the short-and long-term implications of the proposal to be voted on when considering the optimal vote. Generally speaking, PF&D votes client proxies with management; however, substantial proxy issues are reviewed on a case-by-case basis and may cause alternative outcomes. Unless instructed to do so by a client, PF&D generally will not participate in shareholder litigations, including, but not limited to, class-action lawsuits.

If PF&D determines that it is facing a material conflict of interest in voting your proxy (e.g., an

employee of PF&D may personally benefit if the proxy is voted in a certain direction) that cannot be mitigated by adherence to its proxy voting policy, our procedures provide for a Proxy Voting Committee to convene and to determine the appropriate vote. Decisions of the Committee must be unanimous. If a unanimous decision cannot be reached by the Committee, a competent third party will be engaged, at our expense, who will determine the vote that will maximize shareholder value. As an added protection, the third party's decision is binding.

Our complete proxy voting policy and procedures are in writing and available for your review. In addition, our complete proxy voting record is available to our clients, and only to our clients. Please contact PF&D if you have any questions or if you would like to review either of these documents.

## **Financial Information**

PF&D has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.