

# PARK AVENUE Securities®

81 Highland Avenue, B-260

Bethlehem, PA 18017

(888) 600-4667 (Option 4)

*Firm Brochure*

June 15, 2012

**This brochure provides information about the qualifications and business practices of Park Avenue Securities LLC (“PAS”). If you have any questions about the contents of this brochure, please contact us at (888) 600-4667, (Option 4). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

**PAS is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.**

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## **2. Material Changes**

The following is a summary of the material changes made to this brochure since the last annual update on March 31, 2011:

- PAS has updated the Disciplinary Information Section (Item 9) to reflect that on November 8, 2011, the Financial Industry Regulatory Authority (“FINRA”) censured and fined Park Avenue Securities (“PAS”), in its capacity as a broker-dealer, \$175,000 for failing to: (1) adequately investigate certain registered representatives’ involvement with a Ponzi scheme; (2) adequately investigate allegations made by two registered representatives that a member of the firm’s supervisory staff had suggested that the two registered representatives destroy documents and provide misleading information in connection with PAS’ internal investigation; and (3) establish an adequate supervisory system for reviewing certain emails.
- PAS has updated the Fees and Compensation Section (Item 5) to reflect (1) that PAS transaction charges cover both the underlying transaction charges imposed by National Financial Services, LLC (“NFS”) as well as administrative services provided by PAS in connection with the transactions; (2) additional information related to minimum transaction charges; and (3) the receipt by PAS of additional fees from NFS based on account balances in certain funds.

You can obtain a copy of the brochure at any time, without charge, by contacting PAS at (888) 600-4667, (Option 4).

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## **4. Advisory Business**

### **Firm Description**

Park Avenue Securities LLC (“PAS”) is a dually-registered broker-dealer and investment adviser that provides investment advisory services through investment adviser representatives (“IARs”). PAS has been registered with the SEC as an investment adviser since November 13, 2000. Additional information about PAS is available via the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with PAS who are registered as IARs of PAS.

### **Principal Owners**

PAS is a direct wholly-owned subsidiary of The Guardian Insurance & Annuity Company, Inc. (“GIAC”), a Delaware insurance company, and is an indirect wholly-owned subsidiary of The Guardian Life Insurance Company of America, Inc. (“GLIC”), a New York mutual life insurance company. GLIC and its affiliates sell their products through a system of insurance agents, most of whom are also registered representatives and IARs of PAS.

### **Types of Advisory Services Offered**

PAS offers access to both proprietary and select third party investment advisory programs. In addition, certain IARs may offer financial planning and consulting services to clients. As a broker-dealer, PAS offers a variety of financial products and services and may render advice as to the value and/or advisability of purchasing or selling securities without receiving special compensation and solely incidental to the conduct of its business as a broker-dealer. PAS may offer impersonal investment advice in the form of publications and certain other services.

In order to effectuate trades under Investor’s Blueprint<sup>®</sup>, ETF Managed Solutions, PASsage, PASsage.2, Quantitative Innovations<sup>SM</sup>, Foundations<sup>SM</sup> and Guardian Investment Management Services (“GIMS”) (the “PAS Proprietary Program(s)”), clients need to establish a brokerage account through PAS with National Financial Services, LLC, (“NFS”) who will clear trades and act as custodian for clients’ assets under the PAS Proprietary Programs. Accordingly, all trading activity in connection with the PAS Proprietary Programs will be effected through this brokerage account with NFS. NFS acts in the capacity of a clearing firm and performs centralized cashiering, bookkeeping and execution functions. NFS handles the delivery and receipt of securities purchased or sold in clients’ brokerage accounts, receives and distributes dividends and other distributions, and processes exchange offers, rights offerings, warrants, tender offers and redemptions. NFS will send client statements of all activity in the client’s brokerage account on no less than a quarterly basis, and written confirmations of trades executed through the client’s brokerage account.

### **PAS Proprietary Programs**

PAS Proprietary Programs offer a range of investment strategies, from capital preservation to ultra-aggressive growth. A PAS IAR will analyze your individual financial situation and make recommendations as to an appropriate program based on your individual needs and investment

objectives. A PAS IAR helps the client complete a questionnaire in order to determine a client's investment objectives. PAS then provides the client with a Personal Investment Plan ("Proposal"). Your Proposal may include load or no-load mutual funds, exchange-traded funds ("ETFs"), stocks, bonds, cash, closed-end funds, and other types of securities. A Proposal is not generated as part of the GIMS program.

PAS Proprietary Programs include both discretionary and non-discretionary programs. In a proprietary discretionary program, PAS manages your assets within the parameters of the program and portfolio strategy selected by you. If you so choose, we will accept discretionary authority (by agreement) to manage accounts on your behalf. Each proprietary discretionary program also allows PAS to place trades for client accounts at our discretion without requiring the client's prior approval. This gives PAS the authority to determine, without obtaining your specific consent, the securities to be bought or sold, and the amount of the securities to be bought or sold for your account. In a discretionary program, clients have the ability to impose any reasonable restrictions or modify any existing restrictions on the management of the account.

In a proprietary non-discretionary program, PAS makes recommendations for portfolio transactions within the parameters of your program and portfolio strategy, and all recommendations must be approved by you before implementation. Each PAS non-discretionary program requires a PAS IAR to obtain the client's permission prior making any transactions in such client's account. If your account falls below the 2% cash required in your account, PAS reserves the right through its agreement with you to liquidate securities in your account to pay your investment advisory fee.

For all PAS Proprietary Programs, your IAR is available to work with you on an ongoing basis to evaluate your portfolio strategy and asset allocation.

Your account can be managed in a tax-aware manner; however, PAS does not provide tax advice or tax management services. Securities from outside accounts may be transferred into your PAS advisory account; however, your IAR may recommend that you sell any security if he or she believes that it is not suitable for the current recommended investment strategy. You are responsible for any taxable events in all instances. You should always consult with your tax advisor for specific tax advice.

The Foundations<sup>SM</sup>, Quantitative Innovations<sup>SM</sup>, Investor's Blueprint®, and ETF Managed Solutions programs are overseen by an investment committee composed of senior members of our management team (the "Committee"). The Committee reviews, analyzes and discusses the various factors that may affect the world financial markets and, in turn, the client portfolios. The Committee's review may include, for example, macroeconomic trends, Federal Reserve policy, inflation, currency influences, valuation metrics and risk/reward profiles for various markets and market sectors. The mutual funds and exchange-traded funds ("ETFs") we select for these programs are approved by the Committee and are subject to review and revision from time to time. Please note that a client may be able to purchase recommended no-load mutual funds outside a PAS Proprietary Program at little or no transaction cost and without the payment of advisory fees.

In the Foundations<sup>SM</sup>, Quantitative Innovations<sup>SM</sup>, Investor's Blueprint®, ETF Managed Solutions, PASsage and PASsage.2 programs, PAS may, with a client's prior authorization, rebalance the client's portfolio in accordance with the client's investment goals.

GIMS, Investor's Blueprint®, ETF Managed Solutions programs, PASsage, and PASsage.2 are proprietary non-discretionary investment advisory programs. These programs have been designed to give you flexibility to use your account as you deem appropriate within certain prescribed limits. The client assumes the full responsibility for all trading decisions. Although your IAR will furnish you with advice and guidance, all transactions in your account will take place only upon your specific instruction.

Your IAR will provide you with advice and guidance that is based on the information you give us at the time you open your PAS Proprietary Program account and as you update or amend it from time to time. To assist you in managing your account assets, we will provide you with:

- Periodic performance reports showing the performance of your PAS Proprietary Program account assets; and
- Opportunities for you to engage in periodic account reviews with your IAR to address progress toward asset allocation and your investment objectives.

The following is a description of the proprietary investment advisory programs offered by PAS. PAS Proprietary Programs are non-discretionary, with the exception of Foundations<sup>SM</sup> & Quantitative Innovations<sup>SM</sup>, which are discretionary programs.

#### **PASsage/PASsage.2 Program**

- "PASsage.2" is a non-discretionary program which assists clients with the development of diversified financial portfolios through investments in selected mutual funds. The program features asset allocation guidelines designed to reflect risk and volatility levels ranging from capital preservation to ultra-aggressive growth.
- The PASsage program is a non-discretionary mutual fund program. The program features asset allocation guidelines designed to reflect risk and volatility levels ranging from capital preservation to ultra-aggressive growth. The PASsage Program is no longer open to new clients.

#### **Investor's Blueprint® Program**

- The Investor's Blueprint® Program is a non-discretionary mutual fund asset allocation program that offers a turnkey feature by which clients elect to have PAS structure and recommend a portfolio for a client's account. When PAS structures a portfolio, clients must approve the mutual funds selected for their portfolios. The Investor's Blueprint® program portfolio is based upon asset allocation guidelines designed to reflect risk and volatility levels, ranging from capital preservation to ultra-aggressive growth, and includes mutual funds approved by the Committee.

### **ETF Managed Solutions Program**

- The ETF Managed Solutions Program is a non-discretionary ETF asset allocation program sponsored by PAS. An ETF is an exchange-traded fund that is typically registered with the SEC under the Investment Company Act of 1940. ETFs typically have investment objectives that endeavor to achieve the same return as a particular market index (such as equity or fixed income), market sector or asset class.
- The portfolio will be based upon one of the ten model portfolios designed to reflect risk and volatility levels ranging from capital preservation to ultra-aggressive growth and are composed of ETFs from an approved ETF list. The ETF approved list is subject to change based upon decisions of the Committee. Regardless of whether the IAR or PAS structures a portfolio, clients must approve the securities selected for their portfolios to participate in the ETF Managed Solutions program.

### **Guardian Investment Management Services (“GIMS”) Account<sup>SM</sup> Program**

- GIMS investment management services and advice are offered on a non-discretionary basis through certain PAS IARs. Under this program, PAS, through its IARs, advises clients on mutual funds, stocks, bonds and other securities in accordance with the investment objectives established by each client. The client assumes the full responsibility for all trading decisions the client makes. Although the PAS IAR will furnish the client with advice and guidance, all transactions in the client’s GIMS account will take place only upon the client’s specific instruction.
- PAS IARs recommend appropriate no-load and other select mutual funds available through National Financial Services, LLC (“NFS”), the custodian for the program, as well as stocks, bonds and other securities to be allocated according to each client’s investment needs. A client is under no obligation to accept such recommendations or to authorize transactions through PAS or the IAR. Any purchase or sale of securities in a client’s account may cause the account to vary from the client’s initial asset allocation and investment objectives.
- Client Initiated Transactions - Your IAR may initiate securities transactions that your IAR has recommended. However, your IAR may also implement transactions that you initiate without consultation with, or recommendation from your IAR (client initiated transactions). These client initiated transactions are solely your responsibility and neither PAS nor your IAR are responsible for these transactions.
- The advice of your IAR is a key service of GIMS. A pattern of client initiated transactions may indicate that GIMS is no longer appropriate for you as you would not be leveraging the advice of your IAR.
- After you have completed a client initiated transaction and have acquired a security without the advice of your IAR, for so long as you hold the position in your GIMS Account, PAS will take that asset into consideration:

- as part of the overall account assets
  - when PAS gives you periodic asset allocation advice
  - when PAS values your account holdings
  - when PAS provides analyses and reports on the account's performance
  - PAS may also make recommendations to consider selling the asset, if and when PAS deems it appropriate
- As a result, PAS will include any security the client acquires in a client initiated transaction as part of your account assets in calculating the advisory fee you pay.

### **Wrap Fee Programs – Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup>**

- Under a wrap fee program, clients pay a specified fee for investment advisory services and execution of client transactions. Typically, administrative and management fees, along with commissions, are “wrapped” into one comprehensive fee, which is paid quarterly. A portion of the wrap fee is used to pay PAS for investment advisory services provided under each of its two wrap-fee programs, Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup>.
- Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup> are discretionary advisory programs that assist clients with the development of diversified financial portfolios through investments in selected mutual funds and ETFs. Foundations<sup>SM</sup> invests in mutual funds. Quantitative Innovations<sup>SM</sup> invests both in ETFs and mutual funds. Each program employs ten model portfolios, developed and maintained by PAS, designed to reflect risk and volatility levels that range from capital preservation to ultra-aggressive growth (each, a “Strategy Portfolio”). PAS evaluates and selects the mutual funds and ETFs to be used in the Strategy Portfolios, will continually monitor the Strategy Portfolios and, at such times as PAS deems appropriate in its sole discretion, will make adjustments to the asset class percentages of a Strategy Portfolio as well as to the mutual fund and ETF allocations within each asset class in each Strategy Portfolio. In each of these programs, clients have the ability to impose any reasonable restrictions or modify any existing restrictions on the management of their account.

More information about each of these programs is contained in the PAS wrap fee program brochure attached as Appendix 1.

### **Non-Proprietary Third Party Investment Advisory Programs**

#### **Third Party Investment Adviser's Role:**

Depending on the program, a Third Party Investment Adviser unaffiliated with PAS may do one or more of the following: (i) construct model portfolios with various investment objectives; (ii) select and monitor mutual funds, exchange traded funds (“ETFs”), money managers and/or other securities as permitted, for inclusion in the program; (iii) or



allocate, manage and in some programs rebalance client assets in accordance with the model portfolio selected by the client. Following the approval of the client's application, the Third Party Investment Advisory Program allocates the client's funds in accordance with the selected model portfolio. The client should understand that there is no assurance that their investment objectives will be achieved by participating in the Third Party Investment Advisory Program.

**PAS' Role:**

An IAR will work with the client to select an appropriate Third Party Investment Advisory Program based on a number of factors, including but not limited to the client's financial needs, preferences and cost. Once a Third Party Investment Advisory Program has been selected by the client, the IAR will utilize a fact gathering worksheet such as an investor profile questionnaire or client profiling kit, provided by the Third Party Investment Advisory Program to gather information about the client.

The client may accept or reject the IAR's recommendation concerning participation in one or more of the Third Party Investment Advisory Program or the IAR's model portfolio recommendations. The IAR will educate the client about the features, advantages, disadvantages, risks and costs associated with the Third Party Investment Advisory Program the client selects. The IAR will also assist the client in completing the application and paperwork required by the Third Party Investment Advisory Program and initiates the steps necessary for the client to participate therein. The IAR will also answer basic questions regarding the Third Party Investment Advisory Program. The IAR will forward to PAS all account opening documentation and information, including any reasonable investment restrictions requested by the client. PAS will then forward such documentation to the Third Party Investment Adviser for review and approval. The Third Party Investment Adviser is solely responsible for reviewing, accepting or rejecting and observing any reasonable investment restrictions imposed by the client.

If the client has granted the Third Party Investment Adviser discretion under an applicable Third Party Investment Advisory Program, the client has the ability to add or modify any previously accepted investment restrictions imposed on the third party investment adviser. The IAR also is available on an ongoing basis to discuss the client's participation in the Third Party Investment Advisory Program(s) or the client's investments in general. PAS will forward any updated information it receives from the client to the Third Party Investment Adviser for review and assist the client in making any appropriate changes to the client's account, if necessary.

PAS does not serve as a broker-dealer for the client's Third Party Investment Advisory Program accounts, and does not effect trades in connection with the securities held in the client's account.

The following is a list of Third Party Investment Advisory Programs available through PAS, where PAS acts as a solicitor, or in some instances, as a co-adviser:

<b><u>Adviser Name</u></b>	<b><u>SEC File No.</u></b>
• SEI Investment Management Corp.	801-24593
• Genworth Financial Wealth Management, Inc.	801-56323
• Matson Money Inc.	801-40176
• OBS Financial Services, Inc.	801-65110
• Curian Capital, LLC	801-61122
• Manager's Investment Group, LLC	801-56365
• Chevy Chase Trust	801-55134
• Stonebridge Capital Management	801-40364
• Brinker Capital Inc.	801-30504
• Stadion Money Management, Inc.	801-45601
• Gould Asset Management LLC	801-63162
• Morningstar Investment Services, Inc.	801-60401
• Jamison, Eaton & Wood, Inc.	801-4690

### **SEI Asset Management Program**

PAS also offers investment advisory services through the SEI Asset Management Program (the "SEI Program"), an institutional mutual fund asset allocation program that PAS IARs may offer in connection with the management of client accounts.

A PAS IAR will assist the client in the establishment of the SEI Program account, which is custodied at SEI Trust Company. The relationship between the client and SEI Trust Company is governed by a separate agreement. Under the SEI Program, the client grants PAS limited discretionary authority with respect to reallocations in the client's account. PAS will direct SEI Trust Company to allocate client investments in accordance with the asset allocation policy adopted by the client.

### **Tailored Client Relationships**

PAS through its IARs gathers information from a client by utilizing a client questionnaire which captures the client's financial situation, risk tolerance, investment objectives, and any reasonable restrictions that the client may impose on investing in certain securities and types of securities. The IAR periodically reviews reports provided to the client and consults with the client, at least annually, to review the client's financial situation and investment objectives. Clients should notify their IAR of any changes in their financial situation, risk tolerance, investment objectives or account restrictions. After gathering information about a client's financial situation and investment objectives, an IAR may assist the client in selecting one of our proprietary advisory programs or a non-affiliated advisory program.

## **Client Advisory Agreement**

If a client chooses PAS to manage his or her assets, the IAR will provide an investment advisory agreement and new account package at the beginning of the relationship, which will detail all of the important terms and conditions pertaining to the client account, including the management fee. In addition to the agreement, the IAR will request information about the client's financial background, investment experience, objectives, risk tolerance and customized portfolio options via the client questionnaire, and provide important disclosures. Clients are encouraged to read all of the terms of the agreement before signing. The IAR will work with the client to set goals and objectives. As client goals and objectives change over time, the IAR will update the client records and client file and provide new recommendations and advice that fit the client's needs. Either party may terminate the advisory agreement upon 30 days written notice to the other.

## **Financial Planning and Consulting**

Certain IARs are authorized by PAS to offer financial planning and consulting services. For these services, the IAR may negotiate a fee based upon the overall experience of the IAR, a client's financial needs and investment objectives, the time necessary to develop a plan and the complexity of a plan.

Fee-based financial planning is a service that takes into account many different aspects of your financial circumstances typically utilizing a financial planning software program to create an overall plan that is designed to meet your goals and objectives.

Financial consulting is an open architecture process that requires the PAS IAR to collect information from you and develop customized recommendations that are delivered to you within the parameters of agreed upon scope of the consulting services.

The financial planning and consulting services provide for ongoing consultation with your IAR, typically through a series of personal meetings and telephone calls. The services provided may include follow-up meetings with you and your other advisors (attorneys, accountants, etc.).

Depending on your needs and pursuant to agreement with your IAR, your formal written financial plan or consultation recommendations may cover:

- General Financial Planning
- Educational Fund Planning
- Retirement Planning
- Risk Management
- Estate Planning
- Business Succession Planning
- Business Planning
- Corporate Retirement Planning
- Insurance Planning

Your written financial plan or consultation will consist of observations, assumptions, strategies and recommendations. You will have the opportunity to update your plan at least annually, or as your circumstances change. You may choose to implement all or any part of the plan or consultation recommendations through PAS, or through a broker-dealer or other service provider of your choice.

## **Assets Under Management**

PAS manages \$996,284,623 on a discretionary basis and \$2,977,494,297 on a non-discretionary basis as of December 31, 2011.

## **5. Fees and Compensation**

### **IAR Compensation**

Fees paid to PAS are based on assets under management and may be individually negotiated by the client. Discounts not generally available to clients may be offered to family members and friends of associated persons of PAS. At its discretion, PAS pays a portion of the fee it receives to IARs.

PAS may purchase for client accounts mutual funds whose investment adviser is a PAS affiliate, such as RS Investment Management Co. LLC (“RS”), Guardian Investor Services LLC (“GIS”) or Guardian Baillie Gifford Limited (“GBG”). In these cases, RS, GIS or GBG may earn mutual fund management fees, while PAS earns a separate additional fee or fees for advisory and/or brokerage services. There is no guarantee that the advisory services offered will result in the client’s goals and objectives being met. Nor is there any guarantee of profit or protection from loss. The fees and expenses in connection with these advisory services may be higher than the cost of similar services offered through other financial firms or the fees associated with other financial services. Use of “wrap fee” programs may result in the payment of fees by clients in excess of the combined total of separate advisory fees and brokerage commissions paid on an individual transaction basis.

### **Advisory and Transaction Fees**

The advisory fee for a PAS Proprietary Program is based on the average daily balance of assets in a client’s account during the previous calendar quarter and is payable in advance for the following quarter. The fee is calculated at the end of each quarter and is debited from the account on the 15th business day of the following quarter. The advisory fee does not include any investment management or other fees and expenses charged by the ETFs and/or mutual funds in which account assets are invested, all of which are fully disclosed in the ETF’s and/or mutual fund’s prospectus. If cash or cash-equivalent funds in your account are not sufficient to pay the fee or any of the other fees charged in connection with your account or transactions for your

account, investments in your account may be liquidated in order to pay the outstanding fees. If your account is managed for only a portion of the quarter, the fee will be prorated accordingly. The advisory fee for a PAS Proprietary Program does not include costs or charges associated with liquidation of a client's account or transaction charges for securities transactions. The advisory fee also excludes other related charges, including but not limited to, express postage and handling charges, returned check charges, wire or transfer fees, transfer taxes or exchange fees or other fees mandated by law, or non-brokerage related fees such as Individual Retirement Account ("IRA") trustee or custodian fees and tax qualified retirement plan account fees each of which is charged separately. Upon termination, you will receive a pro-rata refund representing the period from termination date to the end of the quarter. No refunds are made in the case of a partial withdrawal from the account. The standard advisory fee schedule for each program is set forth below. Fees are negotiable by mutual agreement between the client and PAS.

As broker-dealer of record for client accounts, PAS may charge clients for certain transactions as set forth in the schedules below. PAS transaction charges cover both the underlying NFS transaction charges as well as administrative services provided by PAS in connection with the transactions.

**PASsage, PASsage.2 and Investor's Blueprint® Programs & ETF Managed Solutions Program**

<b>ASSETS UNDER MANAGEMENT</b>	<b>STANDARD FEES</b>
Up to \$499,999.99	1.75%
\$500,000 to \$999,999.99	1.50%
\$1,000,000 to \$2,999,999.99	1.00%
\$3,000,000 and over	0.75%

In addition, other administrative charges may apply, including:  
IRAs & Qualified Plans: \$35.00 annual maintenance fee  
IRAs & Certain ERISA Plans: \$75.00 termination fee

Purchases and sales of ETFs are not assessed a commission, but are subject to a minimum transaction of \$20.00 per share.

**Guardian Investment Management Services (“GIMS”) Account<sup>SM</sup> Program**

<b>ASSETS UNDER MANAGEMENT</b>	<b>STANDARD FEES</b>
\$0 - \$249,999.99	2.2%
\$250,000 - \$499,999.99	1.8%
\$500,000 - \$999,999.99	1.5%
Over \$1,000,000	1.2%

In addition, other administrative charges may apply, including:

IRAs & Qualified Plans: \$35.00 annual maintenance fee

IRAs & Certain ERISA Plans: \$75.00 termination fee

Purchases and sales of general securities (i.e., stocks and bonds) are not assessed a commission, but are subject to minimum transaction charges according to the following schedule:

<b>TYPE OF SECURITIES</b>	<b>FEES</b>
Stocks & ETFs	\$25.00 plus \$.02 per share
Foreign Stocks	\$75.00 plus usual stock transaction charges
Bonds	\$50.00
CDs	\$50.00 plus \$.02 per share
Mutual Funds	\$20.00 for each purchase \$10.00 for each redemption
Unit Investment Trust	\$30.00 for each purchase

### **SEI Asset Management Program**

<b>ASSETS UNDER MANAGEMENT</b>	<b>FEE</b>
\$0 - \$499,999.99	1.75%
\$500,000 - \$999,999.99	1.50%
\$1,000,000 - \$2,999,999.99	1.00%
\$3,000,000 and over	0.75%

SEI Trust Company may charge a separate custody fee.

### **Other Fees and Charges**

A client should be aware that, in addition to the advisory fee paid by a client for advisory services under a program, each investment company (i.e., mutual fund) in the program also pays its own separate investment management fees and other expenses. These funds may include funds managed by RS, GIS or GBG, affiliates of PAS. Further, certain “load” mutual funds may be purchased in a client’s account at net asset value (“NAV”) without a sales charge to a client (“NAV Funds”). Certain mutual funds available through the PAS advisory programs may make payments to broker-dealers, including PAS, with respect to sales of fund shares pursuant to Rule 12b-1 under the Investment Company Act of 1940 (“Rule 12b-1 fees”) or otherwise as administrative service fees. These fees are described in the prospectus for the respective mutual fund. Such payments are made from fund assets and have the effect of reducing fund performance. Subject to certain exceptions described below, PAS retains any Rule 12b-1 or service fees paid by NAV Funds to defer administrative expenses. PAS does not negotiate these payments, which are made solely at the discretion of the fund. A mutual fund that makes Rule 12b-1 or administrative service fee payments may be included in one or more Strategy Portfolios if PAS reasonably believes, based on certain qualitative and quantitative criteria, that such fund merits inclusion. PAS has elected to not accept any Rule 12b-1 fees that are attributable to accounts of IRAs or employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (“ERISA”) and credits any Rule 12b-1 fees received to client accounts. PAS may, however, retain Rule 12b-1 fees attributable to non-qualified plans.

Fees paid for recommendations involving mutual funds, ETFs or other advisory programs are in addition to and separate from the advisory fees paid directly by the applicable mutual funds to their investment advisers. Clients are encouraged to read the applicable fund prospectus for further information on these separate fees.

## **Financial Planning/Consulting**

Prospective clients have the opportunity to meet with an IAR for an initial consultation at no cost. If a prospective client decides to retain PAS for financial planning or consulting services, he or she will sign a client agreement and will pay for such services either by hourly or flat fees as the client and IAR may mutually agree.

Financial planning/consulting fees are negotiable: hourly fees will generally range from \$100/hour to \$500/hour and flat fees per plan will generally range from \$500 to \$100,000.

In the case of termination, the client will only be charged for services rendered prior to the termination of the financial planning or consulting engagement.

## **Additional Compensation**

PAS may enter into cash solicitation agreements with certain Third Party Investment Advisers. Please see “Client Referrals and Other Compensation” for further information.

PAS may also receive an additional annual compensation fee from Brinker Capital Inc. (“Brinker”) and Genworth Financial Wealth Management, Inc. (“Genworth”) as compensation for certain marketing and administrative services as fully disclosed in the applicable investment advisory contracts and/or Genworth and Brinker’s Form ADV.

PAS earns a monthly distribution fee on all shares held by clients of PAS in the following Fidelity Money Market Sweep Fund portfolios: Prime Fund, Tax-Exempt Fund, and Treasury Fund (each, a “Portfolio”). Each Portfolio offers two classes of shares: Capital Reserves Class and Daily Money Class. The distribution fee is based on the average net assets (calculated daily) owned by PAS clients in each Portfolio at the following annual rates:

<b>Capital Reserves Class</b>	50 Basis Points
<b>Daily Money Class</b>	25 Basis Points

The distribution fee is based on the amounts that NFS receives from a Portfolio. If NFS does not receive a distribution fee from the Portfolio, NFS will not pay a distribution fee to PAS. PAS IARs do not receive any additional compensation as a result of this distribution fee.

In addition, PAS may receive fees based on account balances in non-Fidelity No Transaction Fee (“NTF”) mutual funds, as follows:

<b>Average Aggregate Balances</b>	<b>Basis Points Earned</b>
\$0 – \$10 million	0 Basis Points
\$10 million and over	10 Basis Points



PAS IARs do not receive any additional compensation as a result of these additional fees.

IARs may receive Rule 12b-1 fees based on client investments in certain mutual funds. The receipt of such fees may provide incentive for PAS IARs to recommend these mutual funds. PAS has elected to not accept any Rule 12b-1 fees that are attributable to accounts of IRAs or employee benefit plans subject to ERISA. PAS may, however, retain Rule 12b-1 fees attributable to non-qualified plans.

PAS has revenue sharing arrangements with American Funds and Oppenheimer Funds. These revenue sharing arrangements are based on PAS' total assets under management with these organizations. These arrangements present a conflict of interest and PAS has an incentive to recommend these investment companies based on the compensation received. To address this conflict, the Committee that approves the list of mutual funds available in a PAS advisory program bases its recommendations strictly on objective criteria, without taking into account these revenue sharing arrangements. In addition, PAS IARs receive no additional compensation for recommending the funds sponsored by these organizations.

Certain PAS IARs may receive "Club Credits" for the recommendation of PAS Proprietary Programs, Third Party Investment Advisory Programs or Financial Planning/Consulting. These "Club Credits" are based upon sales production and count towards the attainment of various GLIC club memberships. Attainment of various club memberships may entitle IARs to attend GLIC-sponsored conferences. As such, the IAR may have an incentive to recommend to clients a PAS Proprietary Program, Third Party Investment Advisory Program or Financial Planning/Consulting.

## **6. Performance-Based Fees and Side-By-Side Management**

PAS does not use a performance-based fee structure.

## **7. Types of Clients**

PAS provides investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations and corporations. Each of PAS' Proprietary Programs has the following minimum requirements for opening or maintaining an account:

*PASSage, PASSage.2 and Investor's Blueprint®:*

Each program has a minimum initial investment requirement: \$25,000 for PASSage and \$50,000 for each of PASSage.2 and Investor's Blueprint®. Clients must maintain a minimum account balance of \$25,000 in each program. Accounts that fall below the minimum balance are subject to closure by PAS, at its sole discretion. In addition, clients must maintain a minimum account balance in the money market mutual fund within each program: 5% of the account balance for PASSage and 2% of the account balance for each of PASSage.2 and Investor's Blueprint®. (PASSage is closed to new clients.)

### *ETF Managed Solutions:*

This program has a minimum initial investment requirement of \$50,000. Clients must maintain a minimum account balance of \$25,000. In addition, clients must maintain a minimum balance in the money market mutual fund of 2%. Accounts that fall below the minimum balance are subject to closure by PAS, at its sole discretion.

### *GIMS:*

This program has a minimum initial investment requirement of \$100,000. Clients must maintain a minimum account balance of \$50,000. Accounts that fall below the minimum balance are subject to closure by PAS, at its sole discretion. In addition, a client must maintain a minimum balance in the money market fund within the program of an amount equal to 2% of the account balance as well as sufficient funds to cover check writing debits; otherwise, the account is subject to closure.

### *Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup>:*

These programs have a minimum initial investment requirement of \$50,000. Clients must maintain a minimum account balance of \$25,000. Accounts that fall below the minimum balance are subject to closure by PAS, at its sole discretion.

Clients will be notified of any changes in the above minimums. The minimums for PAS Proprietary Programs may be modified or waived by PAS on a case-by-case basis.

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

### **Methods of Analysis**

PAS Proprietary Programs offer several investment strategies that involve investing in a wide range of securities and other financial instruments, including:

- Equity securities
- Exchange-listed securities
- Over-the-counter securities
- Securities of foreign issuers (including ADRs, EDRs and GDRs)
- Corporate debt
- Commercial paper
- Certificates of deposit
- United States government securities
- Municipal securities

As financial markets and products evolve, PAS may invest in other instruments or securities, whether currently existing or developed in the future, when consistent with client guidelines, objectives and policies.

The following PAS Proprietary Programs feature ten model portfolios, designed to reflect risk and volatility levels ranging from capital preservation to ultra-aggressive growth:

- Investor's Blueprint®
- ETF Managed Solutions, Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup>

**PAS' security analysis methods include:**

- Charting
- Fundamental analysis
- Technical analysis
- Quantitative analysis and qualitative analysis methods including cyclical analysis

In conducting security analysis, we utilize a broad spectrum of information, including financial publications, third-party research materials, annual reports, prospectuses, regulatory filings, company press releases, corporate rating services, corporate activities and meetings with management of various companies.

## **Investment Strategies**

### **Proprietary Programs**

PAS Proprietary Programs include Investor's Blueprint®, ETF Managed Solutions, Foundations<sup>SM</sup>, Quantitative Innovations<sup>SM</sup>, PASsage PASsage.2 and Guardian Investment Management Services ("GIMS"). The PAS Investment Department generally provides recommendations regarding asset allocation and security selection to clients in the Investor's Blueprint®, ETF Managed Solutions, Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup> programs. Clients utilizing the PASsage.2 or GIMS programs receive asset allocation and securities recommendations from the PAS IAR(s) associated with their account.

In PAS Proprietary Programs, PAS and its IARs may provide advice regarding different asset allocation strategies.

Asset allocation, often referred to as "traditional" or "strategic" asset allocation, is a strategy that seeks to diversify assets across various types of asset classes. Asset classes could include broad asset classes (such as equity or fixed income), or sub-asset classes (such as large cap, small cap, or international). The weights assigned to each asset class are expected to result in an overall portfolio with risk and return characteristics that meet the client's investment objectives. Strategic asset allocation assumes that the mix of asset classes will remain fairly consistent over a long period of time. The client's asset allocation targets typically are not changed unless the client's circumstances or objectives change. There are risks associated with asset allocation. One such risk is that the client may not participate in sharp increases in a particular security, industry or market sector. Clients with a strategic asset allocation strategy may not achieve their investment objectives and may lose money. Asset allocation does not account for individual security risk.

Tactical asset allocation is a strategy that actively adjusts a portfolio's asset allocation based upon short-term trends that could include financial market trends, economic cycles and asset class valuations. Based upon short-term assumptions, the portfolio allocations to certain asset

classes are increased, while the portfolio allocations to other asset classes are decreased. There are risks associated with tactical asset allocation. Clients with a tactical asset allocation may not achieve their investment objectives and may lose money. Tactical asset allocation does not account for individual security risk. At different points in time, the tactical asset allocation and structure of the client's portfolio vary significantly. There is no guarantee a tactical asset allocation will correctly predict or track market movements or that it will provide comparable returns or decreased volatility relative to traditional strategic asset allocation programs. Clients in tactical asset allocations are relying significantly on the skills and experience of the manager's ability to correctly judge changes in market behavior and construct a portfolio that predicts market behavior. In addition, even if the portfolio is correctly positioned, there is no guarantee that the client will not experience substantial losses. The tactical asset allocation strategy may result in a portfolio that experiences more frequent trading in order to take advantage of anticipated changes in market conditions. A high level of portfolio turnover may negatively impact performance by generating greater tax liabilities and brokerage and other transaction costs.

PAS and its IARs may also offer what are commonly known as focused/completion strategies. Focused/completion strategies are portfolios that are concentrated in a certain asset class or deploy a narrow strategy. Generally, focused/completion strategies are used to complement other holdings. There are unique risks associated with focused and completion strategies, such as increased volatility since portfolios are often concentrated in a particular asset class.

PAS recommends mutual funds and, in some cases, ETFs, individual equities, individual fixed income securities and managed accounts to fulfill the recommended client asset allocation strategy.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Clients may experience loss in the value of their account due to market fluctuations. There is no guarantee that a client's investment objectives will be achieved by participating in any of the programs described in this brochure. Prior to investing, clients should read carefully a copy of the current prospectus for each security, where a prospectus is available. The prospectus contains information regarding the fees, expenses, investment objectives, investment techniques, and risks of these securities. The investment returns on a client account will vary and there is no guarantee of positive results or protection against loss. No warranties or representations are made by PAS concerning the benefits of participating in the programs described in this brochure.

PAS and its IARs do not provide legal or tax advice. Clients with tax or legal questions should seek a qualified independent expert. Depending on the types of securities you invest in, you may face the following investment risks:

The risks detailed below are not a complete list of all risks:

*Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

*Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market risks.

*Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

*Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

*Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on discoveries of oil and then refining it, a lengthy process, before they can generate a profit. These companies carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

*Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its loan obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

*Liquidity Risk:* When consistent with a client's investment objectives, guidelines, restrictions and risk tolerances, client portfolios may be invested in illiquid securities, subject to applicable investment standards. Investing in an illiquid (i.e., difficult to trade) security may restrict the ability to dispose of investments in a timely fashion or at an advantageous price, which may limit the ability to take full advantage of market opportunities. Accounts may hold securities which are partnerships. Some partnerships are relatively liquid and may be either exchange listed or traded over-the-counter. However, most partnership securities are often illiquid and are subject to significantly less regulation than public investments.

*Fixed Income Risks:* Portfolios that invest in fixed income securities are subject to certain risks, including but not limited to, interest rate risk, credit risk, and market risk, which could reduce the yield that an investor receives from his or her portfolio. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets. Mortgage-backed securities are also subject to prepayment risk, which means that the

issuer has the right to prepay the security prior to maturity, which may force the investor to reinvest the proceeds at lower interest rates.

*Foreign and Emerging Markets Risk:* Investments in securities of foreign and emerging markets issuers involve different investment risks than those affecting obligations of U.S. issuers. Public information may be limited with respect to foreign and emerging markets issuers; foreign and emerging markets issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. There may also be less government supervision and regulation of foreign and emerging markets securities exchanges, and these securities are less liquid and more volatile than securities of comparable domestic issuers. Brokerage commissions and other transaction costs on foreign and emerging markets securities exchanges are generally higher than in the U.S. dividends and interest paid by foreign and emerging markets issuers may be subject to withholding and other foreign taxes, which may decrease the net return on foreign investments as compared to dividends and interest paid by U.S. companies. Such markets often have different clearance and settlement procedures for securities transactions. Additional risks include future political and economic developments, the possibility that a foreign jurisdiction might impose or charge withholding taxes on income payable with respect to foreign and emerging markets securities, and the possible adoption of foreign governmental restrictions such as exchange controls. Since the securities purchased in a foreign or emerging markets portfolio can be denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the portfolio.

*High-yield Bond Risk:* Investments in high-yielding, non-investment grade bonds involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal payments on these securities.

*Structured Products Risk:* These products often involve a significant amount of risk and should only be offered to clients who have carefully read and considered the product's offering documents, as their structure may be based on derivatives or other types of securities, which may be volatile. Structured products are intended to be “buy and hold” investments and are not liquid instruments.

*Derivatives Risk:* Derivatives are securities whose price is dependent upon or derived from one or more underlying assets. The derivative itself is a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. Derivatives may involve significant risks and are not suitable for everyone. Derivatives trading can be speculative in nature and carry substantial risk of loss, including the loss of principal.

*Small/Mid Cap Risk:* Stocks of small or mid-sized, emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

*Diversification Risk:* Investments that are concentrated in one or few industries or sectors may involve more risk than more diversified investments, including the potential for greater volatility.

*Security Selection and Asset Allocation Risk:* Securities selected from a particular asset class (e.g., stocks, bonds, money market instruments) may experience unusual market volatility or may not perform as expected. An asset allocation program does not guarantee achievement of a client's investment objective nor protect against loss.

*ETF Risk:* ETFs are subject to the following risks: (i) the market price of an ETF's shares may trade above or below net asset value; (ii) there may be an inactive trading market for an ETF; (iii) the ETF may employ an investment strategy that utilizes high leverage ratios; (iv) trading of an ETF's shares may be halted, delisted, or suspended on the listing exchange; and (v) the ETF may fail to achieve close correlation with the index that it tracks.

*Real Estate Risk:* Investment in real estate and real estate related assets is subject to the risk of adverse changes in national, state or local real estate conditions (resulting from, for example, oversupply of or reduced demand for space and changes in market rental rates); obsolescence of properties; changes in the availability, cost and terms of mortgage funds; and the impact of tax, environmental, and other laws.

## **9. Disciplinary Information**

The following is a chronological summary of disciplinary events relating to PAS and its management personnel in the last 10 years.

09/05/2003 – The National Association of Securities Dealers ("NASD") alleged that PAS failed to adequately enforce written supervisory procedures in connection with late and incorrect filings of Form U4 amendments, and failed to adequately review criminal history disclosures of potential hires, specifically a tax-related criminal history disclosure (over 10 years old) of a registered representative. PAS consented to a censure and a fine in the amount of \$9,000 pursuant to an Acceptance, Waiver, and Consent.

09/16/2003 – The Utah Division of Securities alleged, in a settled administrative proceeding, that PAS failed in certain specified respects, to adequately supervise its securities business in a Utah branch office, violated a Utah licensing regulation, failed to maintain current and correct records on the NASD's central registration depository ("CRD") system, and failed to follow its own written supervisory procedures. On September 16, 2003, PAS entered into a Consent Order, was fined \$35,000 and agreed to implement corrective measures to address the deficiencies identified in the order.

09/16/2003 – The Utah Division of Securities alleged that PAS allowed an employee to solicit investment advisory business for PAS, to supervise the investment advisory activities of PAS agents, and to receive compensation for investment advisory services performed by PAS while not licensed; divided or split consideration with an unlicensed investment advisory representative; and failed to supervise investment activities of an unlicensed employee. PAS agreed to a Consent Order and paid a fine of \$30,000, and agreed to implement corrective measures to address the deficiencies identified in the order. Also, the New York State Insurance

Department found that PAS violated section 2110(i) of the New York insurance law in that it failed to notify the department of this matter within 30 days.

01/24/2005 – The NASD alleged that from May 1999 to June 2003, PAS allowed an individual associated with PAS' Utah branch office to act in a supervisory capacity without the appropriate registrations. PAS, without admitting or denying the allegations, consented to resolve the matter as described. The individual involved was discharged in July 2003 for failure to follow PAS policy. PAS was censured and paid a fine of \$7,500 on February 10, 2005.

06/10/2009 – In an Order to Show Cause (the “Order”), the Alabama Securities Commission alleged that PAS failed to reasonably supervise one of its registered representatives in Alabama in that the business activity performed under his “doing business as” license (“DBA”), which was listed as a branch office of PAS, required proper registration of the representative in Alabama as an investment adviser representative and investment advisor. At an informal meeting with the staff of the Alabama Securities Commission on September 30, 2009, the Commission staff indicated that it would consider revising the Order in light of information provided by PAS showing that it did not fail to supervise the representative. The matter is still pending.

10/16/2009 – The Financial Industry Regulatory Authority (“FINRA”) initiated a regulatory action relating to the firm's form filings with CRD, including amendments to forms U4 and U5 with disclosure reporting pages. FINRA found that some of the Form U4 and U5 amendments with disclosure reporting pages filed by PAS were filed late as measured from 30 days after the firm knew or should have known of the event triggering a disclosure obligation. FINRA alleged that the firm failed to enforce its written supervisory procedures relating to its direct mutual fund and 529 plan businesses in that certain of its required forms for purposes of switching and breakpoints were not utilized. PAS consented to a censure and monetary fine of \$25,000 pursuant to an Acceptance, Waiver and Consent.

11/08/2011 – FINRA censured and fined PAS, in its capacity as a broker-dealer, \$175,000 for failing to: (1) adequately investigate certain registered representatives' involvement with a Ponzi scheme; (2) adequately investigate allegations made by two registered representatives that a member of the firm's supervisory staff had suggested that the two registered representatives destroy documents and provide misleading information in connection with PAS' internal investigation; and (3) establish an adequate supervisory system for reviewing certain emails.



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

PAS is a direct wholly-owned subsidiary of The Guardian Insurance & Annuity Company, Inc. (“GIAC”), a Delaware insurance company, and is an indirect wholly-owned subsidiary of The Guardian Life Insurance Company of America, Inc. (“GLIC”), a New York mutual life insurance company. PAS may purchase for its accounts mutual funds whose investment adviser is a PAS affiliate, such as RS Investment Management Co. LLC (“RS”), Guardian Investor Services LLC (“GIS”) and Guardian Baillie Gifford Limited (“GBG”). GIS, a Delaware limited liability company, is a wholly-owned subsidiary of GLIC. GBG, a Scottish company, is majority-owned by GIAC. RS, a Delaware limited liability company, is majority-owned by GIS. Each of RS, GIS and GBG is a registered investment adviser. GIS is also registered as a broker-dealer. RS, GIS or GBG may earn mutual fund management fees, while PAS earns a separate additional fee or fees for advisory and/or brokerage services as described in the relevant advisory or brokerage documents. PAS IARs receive no additional compensation for recommending mutual funds managed by affiliates.

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

PAS has adopted a code of ethics (“Code of Ethics”) for all supervised persons of the firm, which governs the ethical standards of conduct and securities trading by supervised persons. The Code of Ethics includes provisions relating to, among other things, a prohibition on trading on the basis of material non-public information or confidential information, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons of PAS must acknowledge the terms of the Code of Ethics annually. PAS will provide a copy of the Code of Ethics to any client or prospective client upon request.

It is PAS policy that the firm will not effect any principal or agency cross transactions for client accounts. PAS will not permit cross trades between client accounts. 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. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

PAS may recommend to clients mutual funds that are managed by investment adviser affiliates of PAS. For more information, see “Other Financial Industry Activities and Affiliations.”

## **12. Brokerage Practices**

### **Best Execution**

Since PAS is a registered broker-dealer, its representatives may effect securities transactions for any client. Transactions are effected through accounts established with NFS, with which PAS maintains a clearing agreement, for clients participating in the PAS Proprietary Programs.

Investment advisers are obligated to provide “best execution” of customer orders. “Best execution” refers to using reasonable diligence to determine the best market to buy or sell a security and obtaining a price as favorable as possible under prevailing market conditions. For PAS Proprietary Programs, all trade orders are executed through NFS, the custodian for the programs. PAS does not select broker-dealers for processing of client transactions. PAS receives reports from NFS which contain information regarding the trade order execution experience of NFS for all of its customers.

PAS undertakes an on-going review of its relationship with NFS, including a monthly review of trade order flows.

### **Soft Dollars**

Soft dollars are defined as arrangements under which products or services other than the execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction of securities trades to the broker-dealer. PAS does not have any soft dollar arrangements.

### **Order Aggregation**

Although each account is individually managed, we may buy and sell the same securities for many advisory accounts simultaneously when applicable. We may aggregate a transaction in the same security for many clients for whom we have discretion to trade. Your IAR may also aggregate his or her own trade in the same security with those of his or her clients, provided that the IAR never receives preferential treatment in the trade execution.

If different prices are paid for securities in an aggregated transaction, each client in the transaction will typically receive the average price paid for the block of securities in the same aggregated transaction. If the client trade is aggregated with other client accounts and are executed at the same price, the client will receive the same price per unit. If we are not able to completely fill an aggregated transaction, we will normally allocate the filled portion of the transaction to our clients on a pro-rata basis.

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

PAS, through its IARs, gathers information from a client about that client's financial situation, risk tolerance, investment objectives and any reasonable restrictions that the client wishes to impose upon the management of the account. Each IAR periodically reviews reports and otherwise consults with the client, and contacts the client at least annually to review the client's financial situation and investment objectives. Clients should notify their IARs of any changes in their financial situation, risk tolerance, investment objectives or account restrictions.

PAS employs individuals who are registered with the Financial Industry Regulatory Authority ("FINRA") as principals (the "Registered Principals"), who review all PAS proprietary program accounts for suitability. Accounts are reviewed by the Registered Principals prior to being opened. All subsequent trading activities are also reviewed by the Registered Principals.

PAS monitors and tracks all financial planning and consulting. All financial plans must be submitted to PAS for the approval of the Head of the RIA prior to presentation to a client. If the plan or consultation is approved, the plan or consultation may be presented to the client.

PAS provides each client with a quarterly written performance report. Performance information is calculated for all portfolios custodied at NFS. The quarterly analysis measures performance of the account by comparing such performance against relevant market indices.

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

PAS and/or its IARs may receive compensation pursuant to cash solicitation agreements for introducing clients to the non-affiliated investment advisers and for providing certain ongoing services. This compensation is typically equal to a percentage of the investment advisory fee charged by that investment adviser. Because IARs receive compensation from these investment advisers for referring clients and because such compensation may differ depending on the individual agreement with each investment adviser, the IAR may have an incentive to recommend one of these non-affiliated investment advisers over the other non-affiliated investment managers with which PAS has a less favorable compensation arrangement or alternative investment advisory programs. Full disclosure of all cash solicitation arrangements, including Part 2 of Form ADV and a solicitor's disclosure statement, will be given to the client at the time of solicitation in accordance with Rule 206(4)-3 of the Advisers Act.

PAS has entered into a solicitor arrangement with Smith and Gesteland, LLP, a Wisconsin registered investment adviser. Smith and Gesteland will refer prospective clients to PAS on a non-exclusive basis for which PAS will compensate Smith and Gesteland. Smith and Gesteland will not provide investment advice on behalf of PAS. The advisory fee charged to prospective clients will not increase as a result of this solicitor arrangement.

PAS has arrangements with a number of individuals (“Solicitors”) under which the Solicitors introduce potential advisory clients to PAS in exchange for a referral fee. All such arrangements comply with the provisions of Rule 206(4)-3 under the Investment Advisers Act of 1940. Whenever PAS pays a referral fee, we require the prospective client receive a copy of this Brochure and a separate disclosure statement that includes the following information: (1) the Solicitor's name and relationship with PAS; (2) the fact that the Solicitor is being paid a referral fee; (3) the amount of the fee; and (4) whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor. In general, the advisory fees paid to us by clients referred by Solicitors are not increased as a result of a referral.

## **15. Custody**

PAS itself does not have custody of client assets. PAS, through system access provided by the custodian, NFS, may execute authorized transactions (such as debiting fees from client accounts, wire transfers, and check disbursements, etc.) on behalf of clients. To the extent that PAS is deemed to have “custody of client funds or securities” within the meaning of Rule 206(4)-2 under the Investment Advisers Account of 1940, PAS will comply with the requirements of such rule, including the rule’s provision for a surprise annual audit to be conducted by an independent public accountant.

Clients should receive at least quarterly statements from NFS. PAS urges you to carefully review such statements and compare such official custodial records to the account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **16. Investment Discretion**

Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup> are discretionary advisory programs that assist clients with the development of diversified financial portfolios through investments in selected mutual funds or ETFs. The SEI Asset Management Program utilizes asset allocation models using selected mutual funds, and gives PAS limited discretionary authority with respect to the reallocations in the client’s account. These programs feature model portfolios, designed to reflect risk and volatility levels ranging from capital preservation to ultra aggressive. See the information under “Advisory Business – Types of Advisory Services Offered.”

In the Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup> programs, a client directs PAS to invest the client’s funds in the client’s account in accordance with the client’s personal investment plan and the Strategy Portfolio chosen by the client. The Client further directs and authorizes PAS at its discretion to reallocate or rebalance the client’s investments in the account in accordance with adjustments made by PAS to the Strategy Portfolio underlying the client’s personal investment plan. There may be tax consequences as a result of any adjustments made to the account. By executing the investment advisory agreement, the client appoints PAS as the client’s agent and

attorney-in-fact with full discretion to execute the transactions within the client's account without first seeking approval from or discussing these investment decisions with the client.

PAS' program manager evaluates the Strategy Portfolio funds and may add funds to or remove funds from a Strategy Portfolio. The program manager's decisions are subject to the approval of the Committee.

PAS receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, PAS observes the investment policies, limitations and restrictions of the client accounts that it advises.

### **17. Voting Client Securities**

As a matter of firm policy and practice, PAS does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. PAS may, upon request, provide advice to clients regarding the clients' voting of proxies.

PAS clients will receive proxies directly from their custodian, NFS. For questions regarding proxies, clients may contact PAS at (888) 600-4667, (Option 4).

### **18. Financial Information**

A copy of PAS's most recent audited financial statement is attached.

PAS does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. PAS has never been the subject of a bankruptcy.

# **Park Avenue Securities LLC**

(An indirect wholly owned subsidiary of  
Guardian Life Insurance Company of America)

**Statement of Financial Condition**

**December 31, 2011**

**Park Avenue Securities LLC**  
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**December 31, 2011**

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## Report of Independent Auditors

To the Board of Managers and Member of  
Park Avenue Securities LLC:

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Park Avenue Securities LLC (the "Company"), a subsidiary of the Guardian Life Insurance Company of America, at December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement of financial condition in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

February 27, 2012



**Park Avenue Securities LLC**  
**Statement of Financial Condition**  
**December 31, 2011**

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**Assets**

Cash and cash equivalents	\$ 24,515,053
Cash segregated under federal regulations	1,426
Deposits with clearing organizations	84,213
Receivable from broker-dealer	1,334,853
Receivable from registered representatives, less allowance for bad debts of \$264,181	991,202
Commissions receivable	3,806,211
Deferred tax asset	266,176
Other assets	370,389
Total assets	<u>\$ 31,369,523</u>

**Liabilities and Member's Equity**

Commissions payable	\$ 7,031,232
Due to Guardian Life Insurance Company of America	8,077,106
Other liabilities	1,596,280
Total liabilities	<u>16,704,618</u>
Member's equity	<u>14,664,905</u>
Total liabilities and member's equity	<u>\$ 31,369,523</u>

The accompanying notes are an integral part of these financial statements.

**Park Avenue Securities LLC**  
**Notes to Financial Statements**  
**December 31, 2011**

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**1. Organization and Nature of Business**

Park Avenue Securities LLC (the “Company”) is a registered broker-dealer with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority (“FINRA”) and Securities Investor Protection Corporation (“SIPC”). The Company is also a registered investment advisor under the Investment Advisers Act of 1940. The Company is a Delaware Limited Liability Company that is a wholly owned subsidiary of The Guardian Insurance and Annuity Company, Inc. (“GIAC”), which is ultimately a wholly owned subsidiary of Guardian Life Insurance Company of America (“Guardian Life”).

The Company’s business as a securities broker-dealer consists of selling products offered by GIAC and Guardian Investor Services, LLC (“GIS”), both affiliated entities, as well as third party sponsors. Such products include mutual funds, variable annuities, variable life insurance, 401(k) plans and investment advisory services. The Company also acts as a broker in the purchase and sale of securities.

**2. Significant Accounting Policies**

**Basis of Presentation**

The Company’s financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

**Use of Estimates**

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the accounting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts on deposit with banks and highly liquid investments with an original maturity of three months or less. They are reported in the statement of financial condition at cost, which approximates fair value.

Cash segregated under federal regulations represents funds collected from customers and payable to mutual fund sponsors as a result of the sale of mutual fund shares. Such payables are included in other liabilities.

**Receivable from Broker-Dealer**

The Company clears its proprietary and certain customer transactions through another broker-dealer on a fully disclosed basis. The receivable from broker-dealer at December 31, 2011 includes advisory fees and commissions receivable.

**Receivable from Registered Representatives**

Receivable from registered representatives is stated net of the allowance for doubtful accounts. This reserve is based upon the evaluation of accounts receivable aging, specific exposures and historical trends.

**Park Avenue Securities LLC**  
**Notes to Financial Statements, (continued)**  
**December 31, 2011**

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**Federal Income Taxes**

Current Federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustments to such estimates from prior years. Deferred Federal income tax assets and liabilities are recognized for expected future tax consequences of temporary differences between GAAP and taxable income. Temporary differences are identified and measured using a balance sheet approach whereby GAAP and tax balance sheets are compared. Deferred income tax assets and liabilities are recognized for the future tax consequence of temporary differences between financial statement carrying amounts and income tax bases of assets and liabilities.

The Company is organized as a limited liability company and is thereby treated as a disregarded entity for federal and state income tax purposes. As such, the Company's results are included in the consolidated federal and state income tax returns of Guardian Life. The consolidated income tax provision or benefit is allocated among the members of the group in accordance with an agreement which provides that each member of the group is allocated its share of the consolidated tax provision or benefit determined generally on a separate company basis, but may recognize the tax benefits of net operating losses or capital losses utilizable in the consolidated return. For state tax purpose, since Guardian Life is an insurance company, it is generally subject to tax on gross premium rather than tax on income. However, in those years where Guardian Life is subject to a state income tax, such income will be subject to the group's tax allocation agreement. Intercompany tax balances are settled quarterly on an estimated basis with a final settlement within 30 days of the filing of the consolidated returns.

**Revenue and Expense Recognition**

Proprietary securities transactions are recorded on a trade date basis. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Commissions earned and related commission expenses from customers' securities transactions are recorded on a trade date basis.

**3. Related Party Transactions**

A significant portion of the Company's revenues and expenses relate to transactions with Guardian Life and its affiliates.

Pursuant to an expense sharing agreement, Guardian Life charges the Company for the services of certain employees of Guardian Life engaged in the Company's business and for the Company's use of Guardian Life's centralized services such as equipment, data processing and communications. The total payable under this agreement at December 31, 2011 was \$9,017,586.

During the year, the Company earned revenues from GIAC for sales of GIAC's variable annuity and variable life insurance products. At December 31, 2011, the receivable for such revenues was \$168,228 and is included in commission receivable.

During the year, the Company earned revenues from GIS for selling shares of RS Funds. At December 31, 2011, the receivable for such revenues was \$210,719 and is included in commission receivable.

**Park Avenue Securities LLC**  
**Notes to Financial Statements, (continued)**  
**December 31, 2011**

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Cash equivalents at December 31, 2011 include \$2,844,220 invested in the RS Cash Management Fund, a fund of the RS Investment Management Co. LLC, which is a majority owned subsidiary of GIS.

**4. Other Liabilities**

Other liabilities include reserves for litigation and unpaid operating expenses.

**5. Income Taxes**

The components of the net deferred tax asset as of December 31, 2011 were as follows:

Deferred tax assets

Reserve for Litigation	\$ 174,149
Allowance for Bad Debt	<u>92,463</u>
Deferred tax assets	<u>\$ 266,612</u>

Deferred tax liabilities

Unrealized Losses	<u>(436)</u>
Deferred tax liabilities	<u>\$ (436)</u>

Net deferred tax assets \$ 266,176

The Company's deferred taxes primarily reflect temporary differences related to allowances for bad debt expense and accruals for loss contingencies.

Deferred income taxes are generally recognized, based on enacted tax rates, when assets and liabilities have different values for financial statement and tax purposes. A valuation allowance is recorded to reduce any portion of the deferred tax asset that is expected to more likely than not be realized.

The gross deferred tax asset relates to temporary differences that are expected to reverse as net ordinary deductions. The Company's management has concluded that the deferred income tax assets are more likely than not to be realized. Therefore, no valuation allowance has been provided.

At December 31, 2011, the Company recorded a current Federal income tax receivable of \$796,551 due from Guardian Life in the accompanying Statement of Financial Condition.

**Park Avenue Securities LLC**  
**Notes to Financial Statements, (continued)**  
**December 31, 2011**

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**6. Net Capital Requirements**

The Company is subject to the Uniform Net Capital requirements of the Securities and Exchange Commission under Rule 15c3-1, which requires that the Company maintain net capital equal to the greater of \$250,000 or 6 2/3% of aggregate indebtedness. At December 31, 2011, the Company had net capital of \$7,224,209, which was \$6,057,464 above the \$1,166,745 required to be maintained. The ratio of aggregate indebtedness to net capital was 2.42 to 1. The Company is exempt from Rule 15c3-3 of the Securities Exchange Act of 1934 under paragraphs (k)(2)(i) and (k)(2)(ii) of that rule.

**7. Off-Balance Sheet Risk**

In the normal course of business, securities transactions of customers are introduced and cleared through a clearing broker. Pursuant to an agreement between the Company and the clearing broker, the clearing broker has the right to charge the Company for certain losses that result from transactions with such customers. The Company clears certain mutual fund transactions directly with sponsors. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contractual obligations and the Company has to sell the mutual fund at a loss.

The Company's policy is to monitor its customer and counter-party risk through the use of a variety of credit exposure reporting and control procedures, including reviewing, as considered necessary, the credit standing of each counterparty and customer with which it conducts business.

The Company, in its normal course of business, may enter into other legal contracts that contain several of these representations and warranties which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be against the Company that have not yet occurred. However, based on its experience, the Company expects the risk of loss to be remote.

**8. Contingencies**

The Company is involved in several lawsuits and claims from customers that allege violations of federal and state securities laws that arise in the ordinary course of business. While it is not possible to predict with certainty the ultimate outcome of these lawsuits and claims, management believes, after consultation with counsel, that resolution of these matters is not expected to have a material effect on the Company's financial condition or liquidity. These matters, if resolved in a manner different from the estimates, could have a material adverse effect on earnings, financial condition, or cash flows when resolved in a future reporting period.

**9. Subsequent Events**

The Company considers events occurring after the balance sheet date but prior to February 27, 2012 the issuance of the financial statements to be subsequent events potentially requiring disclosure. There were no subsequent events for the period ended December 31, 2011.

# PARK AVENUE Securities®

*81 Highland Avenue, B-260  
Bethlehem PA 18017  
(888) 600-4667 (Option 4)*

*Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup>  
Wrap Fee Program Brochure*

Appendix 1

June 15, 2012

**This wrap fee program brochure provides information about the qualifications and business practices of Park Avenue Securities LLC (“PAS”). If you have any questions about the contents of this brochure, please contact us at (888) 600-4667 (Option 4). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

**PAS is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.**

## ***2. Material Changes***

The following is a summary of the material changes made to this brochure since the last annual update on March 31, 2011:

- PAS has updated the Disciplinary Information Section (Item 9) to reflect that on November 8, 2011, the Financial Industry Regulatory Authority (“FINRA”) censured and fined Park Avenue Securities (“PAS”), in its capacity as a broker-dealer, \$175,000 for failing to: (1) adequately investigate certain registered representatives’ involvement with a Ponzi scheme; (2) adequately investigate allegations made by two registered representatives that a member of the firm’s supervisory staff had suggested that the two registered representatives destroy documents and provide misleading information in connection with PAS’ internal investigation; and (3) establish an adequate supervisory system for reviewing certain emails.
- PAS has updated the Fees and Compensation Section (Item 4) to reflect (1) that PAS transaction charges cover both the underlying transaction charges imposed by National Financial Services, LLC (“NFS”) as well as administrative services provided by PAS in connection with the transactions; (2) additional information related to minimum transaction charges; and (3) the receipt by PAS of additional fees from NFS based on account balances in certain funds.

You can obtain a current copy of this brochure at any time, without charge, by contacting PAS at (888) 600-4667, (Option 4).

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#### ***4. Services, Fees and Compensation***

Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup> are discretionary advisory programs (“Discretionary Advisory Programs”) that assist clients with the development of diversified financial portfolios through investments in selected mutual funds and exchange-traded funds (“ETFs”). PAS investment advisory programs are approved by an investment committee composed of senior members of our management team (the “Committee”). The Committee reviews, analyzes and discusses the various factors that may affect the world financial markets and, in turn, the client portfolios we manage. The Committee’s review may include, for example, macroeconomic trends, Federal Reserve policy, inflation, currency influences, valuation metrics and risk/reward profiles for various markets and market sectors. The mutual funds and ETFs we select for our proprietary investment advisory programs are approved by the Committee and are subject to review and revision from time to time.

The Discretionary Advisory Programs’ employ ten model portfolios, developed and maintained by PAS, designed to reflect risk and volatility levels that range from conservative to ultra-aggressive (each, a “Strategy Portfolio”). PAS will evaluate and select the mutual funds and ETFs to be used in the Strategy Portfolios, will continually monitor the Strategy Portfolios and, at such times as PAS deems appropriate in its sole discretion will make adjustments to the percentages of a Strategy Portfolio as well as to the mutual fund and ETF allocations within each asset class in each Strategy Portfolio. Clients have the ability to impose any reasonable restrictions or modify any existing restrictions in a reasonable manner on the management of their account. The advisory fee is based on the average daily balance of assets in a client’s account during the previous calendar quarter (or if the account is opened mid-quarter on a pro-rata basis) and is payable in advance for the following quarter. Upon termination, you will receive a pro-rata refund representing the period from termination date to the end of the quarter. No refunds are made in the case of a partial withdrawal of the account. The standard advisory fee schedule for each program is set forth below. Fees are negotiable by mutual agreement between the client and PAS.

Subject to negotiation, and upon approval of PAS, the advisory fee schedule is as follows (the client and the PAS Investment Advisory Representative ("IAR") may negotiate a fee lower than the schedule):

<b>FOUNDATIONS<sup>SM</sup></b>		<b>QUANTITATIVE INNOVATIONS<sup>SM</sup></b>	
<b>Advisory Fee Annual Rate</b>	<b>Value of the Account Assets</b>	<b>Advisory Fee Annual Rate</b>	<b>Value of the Account Assets</b>
1.85%	Up to \$499,999.99	1.90%	Up to \$499,999.99
1.60%	\$500,000 to \$999,999.99	1.65%	\$500,000 to \$999,999.99
1.10%	\$1,000,000 to \$2,999,999.99	1.15%	\$1,000,000 to \$2,999,999.99
0.85%	\$3,000,000 and over	0.90%	\$3,000,000 and over

Other administrative charges may apply, including:  
 IRAs & Qualified Plans: \$35.00 annual maintenance fee  
 IRA's & Certain ERISA Plans: \$75.00 termination fee

The advisory fee is based on the average daily balance of assets in a client's account during the previous calendar quarter (or if the account is opened mid-quarter on a pro rata-basis) and is payable in advance for the following quarter. The fee is calculated at the end of each quarter and is debited from the account on the 15<sup>th</sup> business day of the following quarter. This advisory fee does not include any investment management or other fees and expenses charged by the ETFs and/or mutual funds in which account assets are invested all of which are fully disclosed in the ETF's and/or mutual fund's prospectus. If cash or cash-equivalent funds in your account are not sufficient to pay the fee or any of the other fees charged in connection with your account or transactions for your account, investments in your account may be liquidated in order to pay the outstanding fees. If your account is managed for only a portion of the quarter, the fee will be prorated accordingly.

The advisory fee does not include costs or charges associated with liquidation of a client's account and related charges, including but not limited to, express postage and handling charges, returned check charges, wire or transfer fees, transfer taxes or exchange fees or other fees mandated by law, or non-brokerage related fees such as Individual Retirement Account ("IRA") trustee or custodian fees and tax qualified retirement plan account fees.

Each discretionary advisory program bundles together several service providers - an investment adviser, a broker/dealer, a clearing firm and a custodian - and offers most of these services for a single advisory fee. Some clients prefer having the various services "packaged" together; others prefer to select their own providers for the various services needed to manage their investment portfolios. Similarly, some clients prefer a fee structure that converts trading costs into an asset-based fee calculated on the same basis

as advisory fees; others prefer trading costs to be assessed on a per trade basis. Depending on a number of factors, such as the number of transactions, number of shares, and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time could be more or less than what these fees and charges would be if the same services were provided on a separate basis. PAS IARs are compensated for recommending the Discretionary Advisory Programs; however, this compensation is not more than what a PAS IAR would receive for recommending another advisory program offered by PAS.

Under its clearing arrangement with NFS, PAS earns a monthly distribution fee on all shares held by clients of PAS in the following Fidelity Money Market Sweep Fund portfolios: Prime Fund, Tax-Exempt Fund, and Treasury Fund (each, a “Portfolio”). Each Portfolio offers two classes of shares: Capital Reserves Class and Daily Money Class. The distribution fee is based on the average net assets (calculated daily) owned by PAS clients in each Portfolio at the following annual rates:

<b>Capital Reserves Class</b>	50 Basis Points
<b>Daily Money Class</b>	25 Basis Points

The distribution fee is based on the amounts that NFS receives from a Portfolio. If NFS does not receive a distribution fee from the Portfolio, NFS will not pay a distribution fee to PAS. PAS IARs do not receive any additional compensation as a result of this distribution fee.

In addition, PAS may receive fees based on account balances in non-Fidelity No Transaction Fee (“NTF”) mutual funds, as follows:

<b>Average Aggregate Balances</b>	<b>Basis Points Earned</b>
\$0 – \$10 million	0 Basis Points
\$10 million and over	10 Basis Points

PAS IARs do not receive any additional compensation as a result of these additional fees.

### ***5. Account Requirements and Types of Clients***

The Discretionary Advisory Programs have a minimum initial investment requirement of \$50,000.00. Clients must maintain a minimum balance of \$25,000.00. Accounts which fall below the minimum balance are subject to closure by PAS at its sole discretion.

We provide investment advisory services for a variety of clients including individuals, corporations, trusts, defined contribution and defined benefit plans.

## ***6. Portfolio Manager Selection and Evaluation***

From time to time, PAS may use the services of third party investment advisers for investment research and recommendations with respect to the ETFs and mutual funds offered under the Discretionary Advisory Programs. The selection of ETFs and mutual funds is subject to the approval of the Committee.

### ***ETF and Mutual Fund Managers***

PAS' selection of ETF and mutual fund managers is geared toward finding securities that measure well with respect to the following characteristics:

1. Philosophy – The overriding core set of values that not only guide the investment process but also guide the organization.
2. Process – The process that is used repeatedly to create the portfolio. This includes a description of the starting universe, a detailed account of the screens employed and risk control mechanisms in place.
3. People – The quality and depth of talent that exists in the investment team, their tenure with the organization, and their compensation structure.
4. Portfolio –The portfolio should be a reflection of the stated investment philosophy and should show a consistent and repeatable investment process among different market environments. Style consistency in good and bad markets is critical.
5. Past Performance – The demonstration of investment skill in favorable and unfavorable market environments. While the term skill is normally associated with positive excess performance, a manager can demonstrate skill by maintaining a well-positioned portfolio while mitigating underperformance.
6. Passion – Managers should exhibit enthusiasm when discussing their portfolios and possess a genuine passion for the investment management industry as a whole.

Equity funds are grouped according to asset class, market capitalization, growth or value orientation, and geographic boundaries.

Fixed income funds are grouped according to whether the portfolio invests in taxable or tax-exempt securities, interest rate sensitivity, credit quality and geographic boundaries.

### *Criteria for Removing a Mutual Fund or ETF*

The table below outlines some of the most common situations that may prompt a removal of a fund.

- |                                    |  |
|------------------------------------|--|
| 1. Material Style Drift            | 6. Excessive Fees                            |
| 2. Asset Loss                      | 7. Undesirable Portfolio Characteristics     |
| 3. Asset Growth                    | 8. Failure to be Forthright with Information |
| 4. Defection of Key Personnel      | 9. Poor Performance                          |
| 5. Departure from Ethical Behavior |  |

### *Quarterly Performance Reporting and Monitoring*

Quarterly, each client receives an investment report from PAS. Reported performance for individual clients is calculated and verified for every portfolio sponsored by PAS. The performance review is supervised by an Assistant Vice President of PAS, and is performed monthly through verification of all transactions affecting each client portfolio. The quarterly analysis measures performance of the account by comparing such performance against relevant market indices.

Performance reports are also available in an electronic format to clients who opt-in to electronic access through a third-party website. Clients also receive monthly statements for their accounts directly from NFS.

### **7. Client Information Provided to Portfolio Managers**

For each Discretionary Advisory Program, a PAS IAR assists the client in selecting an appropriate asset allocation strategy and investment portfolio suited to the client's investment objectives, as reflected by a client questionnaire and personal investment profile. PAS clients may impose any reasonable restrictions or modify any existing restrictions in a reasonable manner on the management of their accounts. Client information is not passed along to any mutual fund or ETF sponsors.

The client's portfolio(s) are chosen by the client, in consultation with their PAS IAR, and are based upon the agreed asset allocation strategy. The portfolio will be based on one of ten model portfolios which are comprised of ETFs and/or mutual funds from a list approved by the Committee, and is subject to change with the approval of the Committee. The client will receive individual advice from their PAS IAR based upon the results of the client questionnaire and personal investment profile. The ten model portfolios, which are subject to change from time to time based upon review by PAS, are as follows:

- |                                   |                                       |
|-----------------------------------|---------------------------------------|
| 1. Capital Preservation Portfolio | 6. Conservative Growth Portfolio      |
| 2. Conservative Income Portfolio  | 7. Moderate Growth Portfolio          |
| 3. Income and Growth Portfolio    | 8. Dynamic Growth Portfolio           |
| 4. Balanced Portfolio             | 9. Aggressive Growth Portfolio        |
| 5. Growth and Income Portfolio    | 10. Ultra-Aggressive Growth Portfolio |

A client may choose a model portfolio that is either one model higher or lower on the risk reward horizon than the model indicated by the results of the client questionnaire and personal investment profile. Model Portfolio 1 would be considered the most

conservative portfolio choice and Model Portfolio 10, the most aggressive. To illustrate, it is generally thought that a conservative type of account is one comprised primarily of fixed income securities. If a fixed income security is held to maturity, the investor receives payment of the coupon (principal) amount. Fixed income securities, of course, have risks related to interest rate movements, and other risks. On the other end of the scale, it is thought that the riskiest type of account (depending upon security selections) would be an account comprised primarily of equity securities (subject to market risks). There is no guarantee that the objectives of any portfolio will be realized. In addition, a client may lose money by having their assets managed in accordance with any model portfolio offered through the Discretionary Advisory Programs.

PAS believes investors are best served by constructing well diversified portfolios that are consistent with their risk tolerance and return goals. Therefore, our process begins with identifying the correct balance between risk and return for each client via the Client Questionnaire which leads to a Personal Investment Plan. The client directs PAS to invest the client's funds in the account in accordance with the client's Personal Investment Plan and the Strategy Portfolio chosen by the client. Based upon the client's answers, PAS will recommend a base strategic asset allocation strategy portfolio from among the ten we generally offer. The base strategic asset allocation policies are designed around exposures to the broad asset classes such as stocks and bonds. It should be noted that the securities utilized to implement the strategic asset allocation policy will depend on the specific advisory program selected by the client and their IAR. The client further directs and authorizes PAS at its discretion to reallocate or rebalance the client's investments in the account in accordance with adjustments made by PAS to the Strategy Portfolio underlying the client's Personal Investment Plan. The client understands that there may be tax consequences as a result of any adjustments made to the account. By executing the investment advisory agreement, the client appoints PAS as the client's agent and attorney-in-fact with full discretion to execute the transactions within the client's account without first seeking approval from or discussing these investment decisions with the client.

PAS may periodically adjust the composition of the client's portfolio within the model to increase the portfolio's exposure to asset classes that we believe offer the most attractive risk/return profiles or, conversely, to decrease the portfolio's exposure to asset classes that we believe have relatively unattractive risk/return prospects. Our asset allocation decisions will primarily be based upon fundamental research regarding the valuation of asset classes relative to their own long term histories, as well as other asset classes. We may also base our asset allocation decisions on our identification of thematic trends and/or based upon certain technical indicators.

The IAR is expected to meet with the client at least once per year to review the client's financial situation. Additionally, the client is required to notify PAS or their IAR of any material changes to the client's financial situation.

## **8. Client Contact with Portfolio Managers**

There are no restrictions placed on clients' ability to contact and consult with PAS regarding the Discretionary Advisory Programs.

## **9. Additional Information**

### *Disciplinary Information*

The following is a chronological summary of disciplinary events relating to PAS and its management personnel in the last 10 years.

09/05/2003 – The National Association of Securities Dealers (“NASD”) alleged that PAS failed to adequately enforce written supervisory procedures in connection with late and incorrect filings of form U4 amendments, and failed to adequately review criminal history disclosures of potential hires, specifically a tax-related criminal history disclosure (over 10 years old) of a registered representative. PAS consented to a censure and a fine in the amount of \$9,000 pursuant to an Acceptance, Waiver and Consent.

09/16/2003 – The Utah Division of Securities alleged, in a settled administrative proceeding, that PAS failed in certain specified respects, to adequately supervise its securities business in a Utah branch office, violated a Utah licensing regulation, failed to maintain current and correct records on the NASD's central registration depository (“CRD”) system, and failed to follow its own written supervisory procedures. On September 16, 2003, PAS entered into a consent order, was fined \$35,000 and agreed to implement corrective measures to address the deficiencies identified in the order.

09/16/2003 – The Utah Division of Securities alleged that PAS allowed an employee to solicit investment advisory business for PAS, to supervise the investment advisory activities of PAS agents, and to receive compensation for investment advisory services performed by PAS while not licensed; divided or split consideration with an unlicensed investment advisory representative; and failed to supervise investment activities of an unlicensed employee. PAS agreed to a consent order and paid a fine of \$30,000, and agreed to implement corrective measures to address the deficiencies identified in the order. Also, the New York State Insurance Department found that PAS violated section 2110(i) of the New York insurance law in that it failed to notify the department of this matter within 30 days.

01/24/2005 – The NASD alleged that from May 1999 to June 2003, PAS allowed an individual associated with PAS' Utah branch office to act in a supervisory capacity without the appropriate registrations. PAS, without admitting or denying the allegations, consented to resolve the matter as described. The individual involved was discharged in July 2003 for failure to follow PAS policy. PAS was censured and paid a fine of \$7,500 on February 10, 2005.

06/10/2009 – In an Order to Show Cause (the “Order”), the Alabama Securities Commission alleged that PAS failed to reasonably supervise one of its registered representatives in Alabama in that the business activity performed under his “doing

business as” license (“DBA”), which was listed as a branch office of PAS, required proper registration of the representative in Alabama as an investment adviser representative and investment advisor. At an informal meeting with the staff of the Alabama Securities Commission on September 30, 2009, the Commission staff indicated that it would consider revising the Order in light of information provided by PAS showing that it did not fail to supervise the representative. The matter is still pending.

10/16/2009 – The Financial Industry Regulatory Authority (“FINRA”) initiated a regulatory action relating to the firm's form filings with CRD, including amendments to forms U4 and U5 with disclosure reporting pages. FINRA found that some of the form U4 and U5 amendments with disclosure reporting pages filed by PAS were filed late as measured from 30 days after the firm knew or should have known of the event triggering a disclosure obligation. FINRA alleged that the firm failed to enforce its written supervisory procedures relating to its direct mutual fund and 529 plan businesses in that certain of its required forms for purposes of switching and breakpoints were not utilized. PAS consented to a censure and monetary fine of \$25,000 pursuant to an Acceptance, Waiver and Consent.

11/18/2011 - FINRA censured and fined PAS, in its capacity as a broker-dealer, \$175,000 for failing to: (1) adequately investigate certain registered representatives' involvement with a Ponzi scheme; (2) adequately investigate allegations made by two registered representatives that a member of the firm's supervisory staff had suggested that the two registered representatives destroy documents and provide misleading information in connection with PAS' internal investigation; and (3) establish an adequate supervisory system for reviewing certain emails.

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

PAS is a direct wholly-owned subsidiary of The Guardian Insurance & Annuity Company, Inc. (“GIAC”), a Delaware insurance company, and is an indirect wholly-owned subsidiary of The Guardian Life Insurance Company of America (“GLIC”), a New York mutual life insurance company. PAS may purchase for its accounts mutual funds whose investment adviser is a PAS affiliate, such as RS Investment Management Co. LLC (“RS”), Guardian Investor Services LLC (“GIS”) and Guardian Baillie Gifford Limited (“GBG”). GIS, a Delaware limited liability company, is a wholly-owned subsidiary of GLIC. GBG, a Scottish company, is majority-owned by GIAC. RS, a Delaware limited liability company, is majority-owned by GIS. Each of RS, GIS and GBG is a registered investment adviser. GIS is also registered as a broker-dealer. RS, GIS or GBG may earn mutual fund management fees, while PAS earns a separate additional fee or fees for advisory and/or brokerage services as described in the relevant advisory or brokerage documents. PAS IARs receive no additional compensation for recommending mutual funds managed by affiliates.

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

PAS has adopted a code of ethics (“Code of Ethics”) for all supervised persons of the firm, which governs the ethical standards of conduct and securities trading by supervised persons. The Code of Ethics includes provisions relating to, among other



things, a prohibition on trading on the basis of material non-public information or confidential information, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons of PAS must acknowledge the terms of the Code of Ethics annually. PAS will provide a copy of the Code of Ethics to any client or prospective client upon request.

It is PAS policy that the firm will not effect any principal or agency cross transactions for client accounts. PAS will not permit cross trades between client accounts. 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. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

PAS may recommend to clients mutual funds that are managed by investment adviser affiliates of PAS.

#### *Review of Accounts*

PAS through its IARs gathers information from a client about the client's financial situation, risk tolerance, investment objectives and any reasonable restrictions that the client may wish to impose upon the management of the account, periodically reviews reports provided to the client and consults with the client, and contacts the client at least annually to review the client's financial situation and investment objectives. Clients are reminded to notify their IARs of any changes in their financial situation, risk tolerance, investment objectives or account restrictions.

PAS employs individuals who are registered with FINRA as principals (the "Registered Principals") who review all Discretionary Advisory Program accounts for suitability. Accounts are reviewed by the Registered Principals prior to being opened. All subsequent trading activities are also reviewed by the Registered Principals.

### *Client Referrals and Other Compensation*

PAS and/or its IARs may receive compensation pursuant to cash solicitation agreements for introducing clients to the non-affiliated investment advisers and for providing certain ongoing services. This compensation is typically equal to a percentage of the investment advisory fee charged by that investment adviser. Because IARs receive compensation from these investment advisers for referring clients and because such compensation may differ depending on the individual agreement with each investment adviser, the IAR may have an incentive to recommend one of these non-affiliated investment advisers over the other non-affiliated investment managers with which PAS has a less favorable compensation arrangement or alternative investment advisory programs. Full disclosure of all cash solicitation arrangements, including Part 2 of Form ADV and a solicitor's disclosure statement, will be given to the client at the time of solicitation in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940.

PAS has entered into a solicitor arrangement with Smith and Gesteland, LLP, a Wisconsin registered investment adviser. Smith and Gesteland will refer prospective clients to PAS on a non-exclusive basis for which PAS will compensate Smith and Gesteland. Smith and Gesteland will not provide investment advice on behalf of PAS. The advisory fee charged to prospective clients will not increase as a result of this solicitor arrangement. Additionally, certain IARs may receive compensation pursuant to cash solicitation agreements for introducing clients to the PAS Advisory Programs described in this brochure.

### *Financial Information*

PAS does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. PAS has never been the subject of a bankruptcy petition.