

Firm Brochure

(Part 2A of Form ADV)

PALO VERDE CAPITAL, LLC

**20645 N. Pima Road
Suite 140
Scottsdale, Arizona 85255**

Telephone: 480-483-4102

Facsimile: 480-522-3969

Email: tstacy@pvfunds.com

This brochure provides you with information about the qualifications, business practices, and nature of advisory services of Palo Verde Capital, LLC, all of which should be considered before becoming an advisory client of our Firm. Please contact Anthony R. Stacy, Managing Member, if you have any questions about this narrative brochure.

The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority.

We are an Investment Adviser registered with the U.S. Securities and Exchange Commission (SEC). Registration does not imply a certain level of skill or training. Additional information about our Firm is available on the Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our Firm's CRD number is 164321

May 29, 2012

Item 2 Material Changes

The SEC adopted “Amendments to Form ADV” in July 2010. This version of Part 2A of Form ADV (“Firm Brochure”) and Part 2B of Form ADV (“Supplement Brochure”), dated May 29, 2012, is our initial disclosure document prepared in accordance to the SEC’s new rule requirements and rules. As you will see, this document is narrative format. Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business’ fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Summary of Material Changes

This section of our Firm Brochure will reflect the annual update of any material changes that occurred since the previous delivery of our Firm Brochure. Since our Firm is a newly formed adviser, this Firm Brochure is our initial brochure. In the future, Item 2 will contain a summary of any material changes to our Firm Brochure since the last annual update.

Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at **480-483-4102** or by email at: **tstacy@pvfunds.com**

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Item 4 Advisory Business

A. Firm Description

Palo Verde Capital, LLC (“PALO VERDE” or the “Firm”), is an investment management firm that is registered with the U.S. Securities and Exchange Commission as an investment advisor. PALO VERDE is organized as an Arizona limited liability company that was founded in 2012.

PALO VERDE’s current advisory activities consist of providing discretionary asset management services and retirement planning consultations to individuals and high net worth individuals.

Principal Owners: PALO VERDE is wholly owned by Anthony R. Stacy. In addition to serving as managing member, Anthony R. Stacy is the Chief Compliance Officer (CCO) of the Firm.

B. Types of Advisory Services

1. Portfolio Management Services

PALO VERDE offers discretionary portfolio management services to individuals, including high net worth individuals, based on the specific needs and objectives of such persons. Subject to any written guidelines or restrictions that the client may provide, PALO VERDE is granted full discretion and authority to manage the client’s account.

2. Retirement Plan Consultations

PALO VERDE offers advisory services to both self-directed and trustee-directed retirement plans whereby it will select, from a large universe of mutual funds, a specified number of mutual funds offered to participants. The selections are based upon the investment policy of the retirement plan, the analysis and due diligence conducted by PALO VERDE. PALO VERDE’s services include ongoing monitoring of funds. PALO VERDE also offers investment advice to plan participants.

C. Tailored Relationships

1. Portfolio Management Services

Our advice regarding portfolio management may not involve investment supervisory services. Managed accounts are monitored on an ongoing basis for performance and adherence to a client’s state objectives; nonetheless, goals for the accounts under management may be formed without consideration of the client’s other assets, investments, or other obligations. Clients may impose restrictions on investing in certain asset classes or any specific types of securities.

Our advice is based on thorough assessment of our Client’s goals, objectives, investment horizon, and risk tolerance and the investment philosophy of the third party money manager.

PALO VERDE requires that a written Investment Advisory Agreement (“IA Agreement”) be signed by the client prior to the engagement of services. The IA Agreement outlines

the services rendered by PALO VERDE and fees that clients will be charged. The IA Agreement also gives PALO VERDE written authority to deduct fees from custodial accounts and discretionary authority to manage accounts.

2. Retirement Plan Consultations

Our retirement plan consultations are based on individual needs of our clients after, a thorough assessment of their retirement goals, objectives, and risk tolerance. The retirement plan allocations are aligned with the investment policy of the plan sponsor.

D. Wrap Fee Programs

PALO VERDE does not participate in and is not a sponsor of any wrap fee program(s).

E. Assets under Management

As of the date of this Brochure, PALO VERDE does not have assets under management because PALO VERDE currently has no Clients and therefore no assets. However, it is expected that PALO VERDE will have clients and assets in the future. Upon accepting clients, PALO VERDE will amend its Form ADV and Part 2A of Form ADV as required.

Item 5 Fees and Compensation

A. Advisory Fees

1. Portfolio Management Services

PALO VERDE earns a management fee (“Management Fee”) for providing personalized discretionary asset management services. The Management Fee is based on a percentage of assets under management. On an annualized basis, PALO VERDE’s fees for ongoing portfolio management services, subject to negotiation, are based on the following tiered fee schedule:

Portfolio Size	Annualized Fee
First \$1,000,000	1.50%
Next \$1,000,001 to 3,000,000	1.00
Next 3,000,001 to 5,000,000	0.75%
Over \$5,000,001	Negotiable

These fees are negotiated on a client-by-client basis and will be discussed at the initial meeting. PALO VERDE will quote exact percentages to be charged to each Client, and will include the fee schedule within its Agreement with the Client

The fees set forth above do not include commissions on securities transactions, miscellaneous brokerage charges, or custodial fees.

2. Retirement Plan Consultations

Retirement Planning Consultation Fees range from less than .05% to 1.0% depending on the size of the plan assets, the number of plan participants and the cash inflow and outflow of contributions.

All of the above-referenced fees are negotiable. Lower fees for comparable services may be available from other sources.

B. Billing Procedures

1. Portfolio Management Services

The fee for SMA Portfolio management will be due and payable quarterly in advance. The fee is based on the value of the assets under management as of the close of business on the last business day of the preceding quarter. The first payment under the fee schedule is due upon execution of the Investment Advisory Agreement and is assessed on a pro rata basis in the event the account is opened at any time other than the first day of the calendar quarter. Multiple accounts for the same client may be combined for purposes of calculating the total fee. The Account Fee is paid to and retained by PALO VERDE.

2. Retirement Plan Consultations

Fees for Retirement Planning Consultations may be paid either in advance or in arrears as negotiated with each client. It is customary procedure for the account custodian authorized to debit the plan for the fees and pay them directly to PALO VERDE.

C. Other Fees and Expenses

There may be additional fees or charges that result from the maintenance of or trading within your account. These fees are imposed by third parties in connection with investments made through the client's account, including but not limited to, commissions on securities transactions, miscellaneous brokerage fees, no-load mutual fund 12(b)-1 distribution fees, certain deferred sales charges on previously purchased mutual funds, IRA and Qualified Retirement Plan fees.

D. Termination and Refund Policy

1. Portfolio Management Services

The client has the right to terminate the Investment Advisory Agreement ("Agreement") without penalty within five (5) business days from the date of execution of the Investment Advisory Agreement. Afterwards, the client must deliver written notice requesting termination of the Agreement to PALO VERDE. Any prepaid fees will be refunded. Either party may terminate the Agreement upon ten (10) days written notice to the other party. The client will be entitled to a pro rata refund of any prepaid quarterly fee based upon the number of days remaining in the quarter after termination.

2. Retirement Plan Consultations

The client has the right to terminate the Agreement without penalty within five (5) business days from the date of execution of the Advisory Consulting Agreement. The client must deliver written notice requesting termination of the Agreement to PALO

VERDE. Any prepaid fees will be refunded. Either party may terminate the Agreement upon ten (10) days written notice to the other party. The client will be entitled to a pro rata refund of any prepaid quarterly fee based upon the number of days remaining in the quarter after termination.

E. Other Compensation

PALO VERDE does not accept any compensation other than Management Fees, the Performance Allocation Fees and other advisory fees as heretofore described.

Item 6 Performance-Based Fees and Side-by-Side Management

A. Performance-Based Fees

PALO VERDE does not receive Performance-Based Fees.

Performance-Based Fees (“Performance Fees”) are based on a share of the capital gains or capital appreciation of the assets of a client. Fees based on performance means PALO VERDE participates directly in the account’s results.

B. Side-by- Side Management

Side-by-Side Management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance based fees.

PALO VERDE does not participate in side-by-side management.

Item 7 Types of Clients

A. Types of Clients

PALO VERDE generally provides investment advisory services to: **Individuals and High Net-Worth Individuals.**

B. Conditions for Account Management

This is an account minimum of \$250,000 of assets under management is required for Portfolio Management Services. This minimum may be waived at the discretion of PALO VERDE. In addition, PALO VERDE may impose a minimum \$1,500 annual fee for accounts below \$250,000. If for any reason a portfolio falls below \$250,000, PALO VERDE reserves the right to close the account.

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

A. Methods of Analysis

PALO VERDE employs technical analysis as our primary method for analyzing securities to achieve the investment objectives and goals of the Clients. The technical analysis method of evaluation securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysis aids in the decision of when to buy or sell, how much, and at what price.

B. Investment Strategies

PALO VERDE strives at all times to meet the individual investment objectives of each of its Clients. During an interview with a new Client, a PALO VERDE Investment Adviser Representative will seek to understand the Client's goals and time horizon while also evaluating the Client's risk tolerance through discussion and feedback. The specific method used to meet Client investment objectives will vary, but in general, PALO VERDE will construct well-diversified investment portfolios by using the four major asset classes including stocks, bonds, real estate and cash. Securities used to build the investment portfolio will generally consist of mutual funds, exchange traded funds, individual stocks, and individual bonds. Security selection will be on a client-by-client basis but generally will be based on the Client's portfolio size, goals and risk tolerance.

PALO VERDE's investment strategies may be altered, without prior approval by the Clients. However, PALO VERDE will notify all Clients of any such change.

C. Material Risks of Methods of Analysis and Investment Strategies

Notwithstanding the method of analysis or investment strategy employed by the Firm, the assets within the Fund are subject to risk of devaluation or loss. PALO VERDE wants investors to be aware that there are many different events that can affect the value of your assets or portfolio including, but not limited to, changes in financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment 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 events.

- *Inflation Risk:* When any type of inflation is present, a dollar will be worth more today than 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 finding oil and then refining it, a lengthy process, before they can generate a profit. They 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.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its 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.

While this information provides a synopsis of the events that may affect your investments, this listing is not exhaustive. We want you to understand that there are inherent risks associated with investing and depending on the risk occurrence; you may suffer LOSS OF ALL OR PART OF YOUR PRINCIPAL INVESTMENT.

D. Recommendation of Specific Types of Securities

The advice of PALO VERDE does not focus primarily on specific types of securities; our strategies include an array of securities and investment vehicles.

Item 9 Disciplinary Information

Neither PALO VERDE, its management nor related persons has been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of the Firm's advisory business or the integrity of the Firm's management.

Item 10 Other Financial Industry Activities and Affiliations

A. Financial Industry Activities

PALO VERDE is not a registered broker-dealer and does not have an application pending to register as a broker-dealer. Furthermore, none of PALO VERDE's management or supervised persons is registered representatives of, or has applications pending to register as representatives of, a broker-dealer.

B. Financial Industry Affiliations

PALO VERDE is not registered as, and does not have pending applications to register as, a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor. Furthermore, none of PALO VERDE's management or supervised persons is registered as, or has applications pending to register as, associated persons of the foregoing entities.

C. Other Material Relationships

PALO VERDE is related to PVPE, LLC through common ownership. Tony Stacy has majority ownership interests in both entities. PVPE, LLC serves as the investment adviser and general partner to Palo Verde Fund, LP and the Palo Verde Private Equity Fund, LP, both Delaware limited partnerships. There are specific conflicts of interest associated with investing in a pooled investment vehicles. Each Fund's Memorandum contains explicit information concerning important conflicts of interest and other material aspects of the Fund. PVPE, LLC is registered as an investment adviser (CRD 139934) with the U.S. Securities and Exchange Commission.

PALO VERDE does not have any other arrangements that are material to its advisory or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, other than those already disclosed herein.

D. Other Investment Advisers

As noted in Item 10C, PALO VERDE is affiliated with PVPE, LLC through common ownership; Tony Stacy serves as principal owners of both entities. PVPE, LLC is registered as an investment advisor with the U.S. Securities Exchange Commission.

PALO VERDE does not have any other arrangements, not previously disclosed, with other investment advisers that are material to its clients or advisory business.

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

A. Description of Code of Ethics

All employees of PALO VERDE must act in an ethical and professional manner. In view of the foregoing and applicable provisions of relevant law, PALO VERDE has adopted a Code of Ethics to specify and prohibit certain types of transactions deemed to create conflicts of interest (or the potential for or the appearance of such conflicts), and to establish reporting requirements and enforcement procedures relating to personal trading by PALO VERDE personnel. PALO VERDE's Code of Ethics, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

B. Participation or Interest in Client Transactions

PALO VERDE may solicit potential limited partners to purchase interest in the Funds that are managed by PVPE, LLC. PALO VERDE's managing member is also an investor in the Funds. PVPE, LLC receives both a Management Fee and a Performance-based Fee from the Funds. We will provide notification to clients advising of potential conflicts of interest.

C. Proprietary Trading

At times, PALO VERDE or related persons may buy or sell for our own accounts securities that have also been recommended for the Fund or individually managed client portfolios. However, any purchase or sale of a security by PALO VERDE or a related person will be subject to PALO VERDE's fiduciary duty to the Fund and clients. PALO VERDE will always document any transactions that could be construed as a conflict of interest. To mitigate or remedy any conflicts of interest or perceived conflicts of interest, PALO VERDE will monitor trading reports for adherence to our Code of Ethics.

D. Simultaneous Trading

From time to time, representatives of PALO VERDE or related persons may buy or sell securities for themselves at or around the same time of the clients. In any instance where similar securities are bought or sold, we will uphold our fiduciary duty by always ensuring that transactions are more beneficial for our clients than for our own benefit.

Item 12 Brokerage Practices

A. Selection and Recommendation

Unless the client directs otherwise, PALO VERDE has complete discretion over the selection of the broker-dealer to be used in connection with SMA portfolio and the commission rates to be paid without obtaining specific client consent.

B. Soft Dollar Benefits

PALO VERDE has not received research or other products or services other than execution from a broker-dealer or a third party in connection with the Client's securities transactions. It has not generated "soft dollars" benefits as of the date of this Brochure.

As of December 31, 2010, the Firm has not utilized any particular procedures direct client transactions in return for products and research services.

C. Brokerage for Client Referrals

When selecting or recommending broker-dealers to clients, the Firm does not consider whether it receives client referrals from a broker-dealer or third party.

D. Directed Brokerage

PALO VERDE will recommend that Clients utilize the Firm's recommended broker dealer(s) to execute transactions. This arrangement is designed to maximize efficiency, enhance the ability to monitor positions, and to be cost effective for our Clients. By requiring Clients to use our specific custodians which PALO VERDE has approved, we seek to achieve most favorable execution of Client transactions.

PALO VERDE also permits clients to direct brokerage. If clients have their own preferred broker-dealer, we will notify the broker-dealer of our advisor-client relationship. Please be aware, however, when clients are permitted to direct brokerage, we may not be able to effect transactions in the most cost effective manner. Furthermore, we may be limited in our ability to aggregate transactions and clients may in turn, incur greater costs associated with brokerage transactions.

E. Order Aggregation

PALO VERDE may, at times, aggregate sale and purchase orders of securities for the in order to obtain the best pricing averages and minimize trading costs. The Firm may employ blocking or bunching of trades to lower transaction costs in the management of accounts. This practice is reasonably likely to result in administrative convenience or an overall economic benefit to PALO VERDE. Client portfolios are benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors. Our policies and procedures mandate aggregating multiple orders and aggregate orders will be allocated to accounts in a systematic non-preferential manner.

Item 13 Review of Accounts

A. Periodic Reviews

The day-to-day supervision of the SMA portfolios is the responsibility of the principals of PALO VERDE. Each investment account is reviewed at least quarterly for compliance with policy, suitability of investments and customer investment objectives.

B. Intermittent Review Factors

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in your financial status (such as retirement, termination of employment, relocation, or inheritance). Clients are advised to notify TMG promptly if there are any material changes in their financial situation, investment objectives, or in the event they wish to place restrictions placed on their account.

C. Reports

Clients will receive a report at least monthly from the custodian, detailing account performance and account holdings. PALO VERDE does not issue separate reports for SMA Portfolio clients and Retirement Plan clients.

Item 14 Client Referrals and Other Compensation

A. Economic Benefits for Advisory Services Rendered

The Firm does not receive an economic benefit (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to its clients.

B. Compensation for Client Referrals

From time to time various investment professionals and firms may introduce their clients to PALO VERDE and, in return, PALO VERDE may pay such professionals and firms a referral fee. The person or firm making the referral (solicitor) provides each prospective client with a copy of this document along with a written disclosure of the terms of the solicitation arrangement between PALO VERDE and the solicitor, including the compensation to be received by the solicitor from PALO VERDE. This fee does not increase or decrease the management fee any client pays to PALO VERDE. PALO VERDE discloses the referral arrangement, if any, to the client and asks the client to acknowledge it in writing.

Item 15 Custody

A. Custodian of Assets

Unless otherwise directed by the client, the physical assets of the Portfolios Management Programs are held in an account with J.P. Morgan Securities LLC ("JP Morgan") and Charles Schwab & Co, Inc ("Schwab"). Both are the preferred qualified custodians of the managed portfolio's assets. Both are members of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). See Item 12 for additional information regarding Brokerage Practices.

B. Account Statements

1. Portfolio Management Clients

Clients invested in separately managed accounts, will receive statements by mail or electronically from the account custodian. Please review these statements carefully by comparing asset values, holdings, and advisory fees to that in previously received statements, confirmations, and advisory fee invoices.

2. Retirement Plans

Clients will receive statements at least quarterly, which include holdings and fee notifications. *Please review statements carefully comparing fees, holdings and activity to that in the previously received statements, confirmations, and advisory fee invoices.*

Item 16 Investment Discretion

Generally, clients will grant to PALO VERDE complete discretion and authority to make all investment decisions with respect to the types of securities to be bought or sold and the amount of securities to be bought or sold. Notwithstanding the foregoing, all discretionary trades made by PALO VERDE on behalf of a client will be in accordance with that client's articulated investment objectives and goals, and, as such, may be subject to various limitations.

Item 17 Voting Client Securities

PALO VERDE will not vote nor advise clients how to vote proxies for client securities held in separately managed accounts. Clients are responsible for directing their own proxies solicited by issuers of securities, including making elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings and other types of events pertaining to the securities in your account. Clients will receive proxy and other solicitation information by mail from the account custodian.

Item 18 Financial Information

A. Balance Sheet Requirement

PALO VERDE does is not the qualified custodian for client fund or securities, and does not require prepayment of fees of more than \$500 per client, six (6) months or more in advance.

B. Financial Condition

PALO VERDE does not have any financial impairment that would preclude the Firm from meeting contractual commitments to Clients.

C. Bankruptcy Petition Filings

PALO VERDE has not been the subject of a bankruptcy petition at any time during the last 10 years.

Privacy Policy

PALO VERDE does not disclose nonpublic personal information about its clients or former clients to any persons other than as described below. PALO VERDE collects information about its clients (such a name, address, social security number, assets and income) from discussions with clients, from documents that clients may deliver to PALO VERDE (such as account applications) and in the course of providing services. In order to service its client accounts and effect client transactions, PALO VERDE may provide client personal information to its affiliates and to firms that assist it in servicing client accounts and which have a need for such information. PALO VERDE does not otherwise provide information about its clients to outside firms, organizations or individuals except as required by law. Any party that receives this information will use it only for the services and as allowed by applicable law or regulations, and is not permitted to share or use this information for any other purpose.