



# PENNIALL & ASSOCIATES, INC.

Item 1 – Cover Page – Philip V. Boucher

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This Brochure provides information about the qualifications and business practices of PENNIALL & ASSOCIATES, INC., herein after referred to as “P&A” or “ADVISER”. If you have any questions about the contents of this Brochure, please contact us at 626-795-3062 and/or [crw@penniall.com](mailto:crw@penniall.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

P&A is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about P&A also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

Material changes since last annual amendment on January 15, 2013.

As of 4/29/13, Craig Watanabe became CCO of Penniall & Associates.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Craig Watanabe, Chief Compliance Officer at 626-795-3062 or [crw@penniall.com](mailto:crw@penniall.com). Our Brochure is also available free of charge on our web site [WWW.PENNIALL.COM](http://WWW.PENNIALL.COM).

Additional information about P&A is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with P&A who are registered, or are required to be registered, as investment adviser representatives of P&A.

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## **Item 4 – Advisory Business**

Penniall & Associates, Inc. (hereinafter “P&A” or the “firm”) was established in May, 2002. David R. Penniall, Chief Executive Officer is the primary owner of P&A.

P&A is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended. This Brochure is offered to potential and existing clients to provide an understanding of the services the firm provides, the experience and education of certain P&A personnel and potential conflicts of interest. Individuals associated with P&A will be involved with providing services to the firm's clients. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on behalf of P&A and are known as Investment Adviser Representatives (also referred to as “IARs” or “Advisors”).

Please contact Craig Watanabe, Chief Compliance Officer, if you have any questions about this Brochure. Additional information about P&A is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for P&A is 148282.

P&A advisory business includes financial consulting services, asset management programs and advisory services to retirement plans and plan participants.

### **I. Wealth Management Services**

#### **a. Consulting Services / Financial Planning**

Financial Planning services include: defining goals, needs and objectives; gathering and providing appropriate data; assessing prospects for client success/failure with current plan; develop and present recommendations which might include changes to the current strategy; determining implementation responsibilities; determining monitoring responsibilities.

In addition to comprehensive financial planning, P&A may provide consulting on specific issues with a limited scope.

#### **b. Investing for Income**

Income portfolios consist of a mix of bonds, preferred stocks, high quality dividend-paying common stocks, master limited partnerships, royalty trusts, REIT's and other investments with the allocation representing a balance between growing income and capital preservation. The income strategies are opportunistic and seek to meet the clients income needs while minimizing risk. The income strategies may be managed on a discretionary or non-discretionary basis according to client preference.

#### **c. Investing for Growth**

Portfolios will typically be concentrated in 8-12 core holdings of strong companies for the long-term. This will typically account for 60-70% of the total portfolio. The portfolios are actively managed and in rare instances may be hedged with a short position when overall near-term market risk is perceived to be unacceptably high.

The core holdings will consist of large-cap companies that we feel are well-positioned in their industries for the long-term. Typically, they operate in essential economic sectors which is critical to these companies being able to weather economic hardships. These are mostly capital-intensive companies that generate robust cash flow from operations and manage that cash prudently, companies that also have reasonable debt structures and a history of rising dividends. Finally, companies are purchased when they are at attractive valuations relative to their peer group.

The non-core holdings depend on the market environment and could include most other securities valued favorably for short-term gain. These sometime become long-term holdings that may replace another core holding or require a rebalancing among the core holdings to free up “space” in the portfolio. As with the core holdings, quality and reasonable valuation is what matters. Tax impact of the change is also taken into consideration.

All managed growth accounts are benchmarked against the S&P 500 for risk-return performance evaluation. Trading is performed via block trading where buys and sells are consolidated into one trade for efficiency and, in the case of buys, allocated as close as possible on the same percentage of account basis for each account.

#### **d. Penniall Asset Management Program**

Penniall Asset Management also makes other alternatives available. P&A provides discretionary and non-discretionary portfolio management services to clients through the Penniall Asset Management Program ("PAM Program" or "Program"). The PAM Program is provided through brokerage and custodial relationships maintained with TD Ameritrade ("TDA")

P&A offers the Penniall Asset Management Program ("PAM Program" or "Program") to clients whose Investment Strategy (as defined below) can be implemented through the use of one of P&A's proprietary asset allocation model portfolios ("Model Portfolios") comprised of load waived and no-load mutual funds, exchange traded funds ("ETFs"), and other equity and debt securities. The Model Portfolio recommended to the client will be based upon their stated risk tolerance, time horizon, investment objectives, (i.e., preservation of capital, conservative, balanced, growth and aggressive growth) and other relevant information provided by the client (collectively, "Financial Data") and be subject to any reasonable written restrictions or guidelines that the client may provide and P&A may agree to.

When opening a PAM Program Account, a P&A IAR will obtain Financial Data from the client, assist in the selection of suitable investment objectives and base the investment strategy on the most current Financial Data, specific goals and situation of the client ("Investment Strategy"). P&A will generally construct a portfolio for the client in their account maintained with TDA ("Account") based on one of P&A's proprietary Model Portfolios. A P&A IAR will contact the client periodically to review the client's financial situation and investment goals to determine whether changes to the Investment Strategy are warranted. Clients are advised to contact P&A whenever their Financial Data changes or they want to impose and/or modify any reasonable restrictions on their Account.

Clients may direct P&A to maintain certain security positions in an Account, but such securities will not be managed by P&A or considered when managing a Model Portfolio for a client ("Non-managed Securities"). P&A will not have discretionary authority over the Non-managed Securities and will not charge an investment advisory fee on the Non-managed Securities.

Once the client has approved a specific Model Portfolio for their Account, P&A will generally be granted discretionary authority to manage the client's Account and perform various functions without further approval from the client. Such functions include: (i) the determination of securities to be purchased/sold and the amount of securities to be purchased/sold in the client's Account; (ii) the ability to rebalance the securities in the Account according to the parameters of the Model Portfolio; (iii) selling and purchasing securities in the Account to harvest tax losses, if deemed appropriate under the circumstances; and (iv) selling securities and/or maintaining a cash balance in the Account to cover (1) margin calls, (2) debit balances, (3) checks drawn on the Account by the client, and (4) other fees reasonably expected to be incurred in connection with the Account or managing the Account, including P&A's investment advisory fees. For non-discretionary accounts, P&A will contact the client prior to executing any transactions.

Adviser may (but is not obligated to) combine or "batch" orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Adviser's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and transaction costs and will be allocated among Adviser's clients in proportion to the purchase and sale orders placed for each client account on any given day. If Adviser cannot obtain execution of all the combined orders at prices or for transactions costs that Adviser believes are desirable, Adviser will allocate the securities Adviser does buy or sell as part of the combined orders by following Adviser's order allocation procedures.

TDA will provide all custodial and clearing services for PAM Program Accounts as well as provide certain software and technology services for a fee. Fees for services performed by TDA may be charged separate and in addition to P&A's investment advisory fees or may be bundled into a single combined fee, as discussed in more detail below. In no event will P&A accept or maintain custody of the client funds or securities.

Each Client with a PAM Program Account will receive confirmation of every transaction within the account and monthly statements directly from TDA for any month in which there was account activity. Detailed quarterly performance reports may also be provided to clients directly from P&A.

#### **e. Multi-Family Office Services**

P&A offers multi-family office services which include financial planning, asset management, insurance, tax and estate planning and concierge services. P&A may receive compensation for performing or referring clients for these services. Fees for these services may be charged separately.

#### **f. Total Advisory Assets Under Management**

As of 01/15/2013, P&A manages \$626,089,012 on a discretionary basis and \$26,476,142 on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

**Consulting Services/Financial Planning** - Financial consulting services are offered on either a flat or hourly fee basis through P&A or as part of the multi-family office services. The firm's flat fee ranges between \$500 and \$10,000 and its hourly fee is \$350. The type and amount of the fees charged to the client will be negotiated on a case-by-case basis, and are predicated on the complexity and scope of services to be provided. An estimate of the total cost will be determined at the start of the advisory relationship and shall be clearly set forth in the agreement for services. Extraordinary research or analysis may involve additional costs, which will be negotiated on an individual basis prior to beginning such work.

In either case, P&A requires that 50% of the fee be paid in advance, with the remaining portion due upon completion of the services rendered. Under no circumstances will P&A require prepayment of a fee more than six months in advance and in excess of \$500, as services will be rendered within six months of receipt of payment.

The client may terminate the consulting agreement within five days of the date of acceptance without penalty to the client. After the five-day period, either party may terminate the agreement by providing written notice to the other party. In the event there are any prepaid unearned fees, P&A will promptly refund a pro rata share to the client.

**PAM Program Fees / Income Portfolio / Growth Portfolio** - The annual advisory fee for the Programs are subject to negotiation, but are generally set based on the assets under management according to the tiered fee schedule as described below:

#### **Account Value Maximum Advisory Fee**

First \$99,999	2.50%
\$100,000 --- \$249,999	2.00%
\$250,000 --- \$499,999	1.75%
\$500,000 --- \$1,999,999	1.50%
\$2,000,000 --- \$4,999,999	1.25%
Over \$5,000,000	0.80%

The advisory fee is payable quarterly in advance and blended based on the assets under management. The advisory fee is calculated by applying the applicable advisory fee rate to the assets in each tier of the fee schedule. The fee arrangement with each client is subject to negotiation in certain situations and will be fully disclosed in the Investment Management Agreement each client is required to enter into with P&A.

The initial fee is payable when the Account is established, prorated for the first partial quarter, if any, and also for withdrawals and additions in excess of \$25,000 during a quarter. Thereafter, fees will be payable on the first day of each calendar quarter based on the asset value of the Account as of the last business day of the prior quarter. Notwithstanding the foregoing, no advisory fees will be charged on any mutual funds, unit investment trusts or annuities transferred to the Account which were purchased within the past year if a commission was paid to an IAR of P&A in their role as a registered representative of a broker-dealer with respect to such mutual fund, unit investment trust or annuity.

Additional information about the Programs, including the advisory fees, transaction fees, custodial fees, and other fees that may apply are contained in the P&A Investment Management Agreement which the client is required to sign with P&A.

**Other Fees** - In addition to the advisory fee, separate transaction charges are payable pursuant to a fixed schedule for trade execution and fees for custodial services will apply.

For all Accounts, clients should be aware that they may incur other fees to unaffiliated third parties, such as administration fees, deferred sales charges on mutual funds initially deposited in the account and 12b-1 fees, mutual fund management fees and other mutual fund expenses. Ancillary charges such as margin interest (when margin is utilized) and account services such as transfer fees are also not included in the advisory fee.

**General Information on Advisory Services and Fees** - The fee charged is calculated as described above and is not charged on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

Advice offered by P&A may involve investment in mutual funds. Clients are advised that all fees paid to P&A for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Further, there may be transaction charges involved with purchasing or selling of securities. P&A does not share in any portion of the brokerage fees/transaction charges imposed by the custodian holding the client funds or securities. The client should review all fees charged by mutual funds, P&A, and others to fully understand the total amount of fees to be paid by the client. P&A does not represent, warrant or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

Although P&A believes its advisory fees are competitive, lower fees for comparable services may be obtained from other sources. All fees are subject to negotiation.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

P&A does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

P&A offers personalized investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. The firm's services and fee arrangements are described in the proceeding pages.

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

### **Methods of Analysis**

Adviser's recommendations and Model Portfolios will be based on internal analysis, external research reports and analysis to which technology-based tools will also be used to analyze the performance. P&A provides to the advisor commercial software packages in advisory services to clients.

Investing in securities involves risk of loss that clients should be prepared to bear. All risks will be explained to client prior to and subsequent to investing and as a continuing part of client communications.

The investment process employed by the advisor first assesses the economic environment from the top-down. It is important to first form an overall perspective of the economy and financial markets before selecting investments. P&A and the Investment Committee provide ongoing analysis and forecasting internally supplemented by the advisor's own research and analysis on individual companies and securities which is culled from many sources. The goal is to identify thematic trends, determine how those trends will impact portfolios and make any adjustments deemed prudent. The development of an economic perspective is a dynamic process that is consistently revised based upon changes in the economy and financial markets.

The following are five major asset classes that are included in recommended portfolios:

**Cash & Cash Equivalents** – money market and currency instruments, as well as short-term bonds or fixed-rate investments.

**Fixed Income** – domestic and international fixed income investments of intermediate and longer-term maturities with varying quality and duration characteristics.

**Domestic Equity** – common shares of American-based companies ranging from small to large in size including Master Limited Partnerships.

**International Equity** – common shares of mostly foreign companies but could include American-based multi-National companies ranging from small to large in size.

**Alternative Assets** – non-traditional investments such as precious metals, real estate, commodities and natural resources that historically have exhibited a low correlation to stock and bond markets.

The determination of individual investments for each asset class is generally based upon two criteria: a risk-based metric (typically standard deviation) and a performance-based metric (rate of return). These two critical components allow the Portfolio Manager (adviser) and Investment Committee to focus on the conversion of beta (risk) into alpha (reward).

Based upon the level of risk that is desired, an analysis is performed to determine which investment has historically achieved superior performance on a risk-adjusted basis. The unique component in the analysis is the focus on performance over a relevant time period. Rather than focus on a calendar-specific time period, the focus is based upon market cycles. For example, when searching for an investment to be used when our outlook is bullish, the focus would be on an up-market time period. The overall goal is to identify investments that achieve an appropriate amount of reward for the level of risk taken.

#### **Investment Strategies/Monitoring/Reporting**

The ongoing monitoring of the model portfolios involves a rigorous and disciplined process. Performance is tracked at every Investment Committee meeting. In addition, a formal attribution analysis is prepared on a quarterly basis. This analysis decomposes the performance of the portfolios into the following three levels:

**Portfolio Level** - On a portfolio level, the performance of each model portfolio is compared to the performance of the respective benchmark portfolio. The respective benchmark portfolios consist of varying allocations of the Barclays Aggregate Bond Index, Russell 3000 Index and the MSCI EAFE Index. The allocations among these three indices for each benchmark portfolio are static and represent the target allocations for the respective portfolios. A detail of the benchmark portfolio allocations are included below.

	Barclays Aggregate Bond Index	Russell 3000 Index	MSCI EAFE Index
Fixed Income	100%	0%	0%
Capital Preservation	70%	25%	5%
Conservative	55%	35%	10%
Balanced	40%	50%	10%
Growth	20%	65%	15%
Aggressive Growth	0%	80%	20%



The difference between the performance of the portfolios and their respective benchmark determines the overall portfolio level alpha (out-performance or under-performance).

**Asset Class Level** - On an asset class level, an analysis is performed to determine what degree of out-performance or under-performance is attributed to the specific tactical asset class weightings of the model portfolios.

**Investment Level** - On an investment level, the performance of each holding is compared to the performance of its respective peer group. The difference between an individual mutual fund's performance and its peer group determines whether the fund out-performed or under-performed its peers.

The purpose of this formal analysis is to determine the degree of out-performance or under-performance that is attributed to each level of portfolio management. It helps determine why the portfolios differed from their respective benchmarks and allows the Portfolio Manager and Investment Committee to target where additional research needs to be performed. Based upon the results of this analysis, the Portfolio Manager and the Investment Committee decide whether to modify broad asset class allocations or tactically change specific asset classes.

As a result of the ongoing monitoring of the portfolios and consistent revision of an economic perspective, changes to the allocations or individual holdings may be deemed necessary. The execution of such changes will be performed by the Portfolio Manager and Investment Committee across all portfolios.

**Versions of Portfolios** - To accommodate client portfolios of all sizes, the Portfolio Manager and Investment Committee have designed condensed versions of the model portfolios. The investment methodology and monitoring process in which these portfolios are managed is similar to the steps described above. The difference is in the number of investments that are utilized in these models. "Fund of fund" or multi-sector mutual funds that cover more than one specific asset class are often used. The overall broad allocations in these condensed portfolios are similar to the allocations of the full portfolios.

**Custom Portfolios** - To accommodate client portfolios with special situations, the Portfolio Manager and Investment Committee have designed customized versions of the model portfolios. Special situations would include tax issues, liquidity requirements, individual stock holdings and other personal considerations. The investment methodology and asset allocation of the custom portfolios are similar to the model portfolios. The primary difference is that the investments selected to represent each asset class may differ from the model portfolios.

A second difference is in the monitoring of these custom portfolios. Since these portfolios are customized on an individual client basis, the performance will differ from the standard portfolios. On a quarterly basis, the performance of each custom portfolio will be compared to its corresponding model portfolio. For example, a custom Balanced portfolio will be compared to the performance of the standard Balanced portfolio. If the performance of the custom portfolio is within an acceptable range, no additional analysis will be deemed necessary. However, if the custom portfolio is outside an acceptable range, additional analysis will be performed to determine why the custom portfolio out-performed or under-performed the model portfolio. Changes to the allocations or individual holdings in the custom portfolio may be deemed necessary based upon this analysis.

### **Risk of Loss**

Investing entails risk of loss which the investor must be willing to bear. The PAM program will invest primarily in mutual fund shares which are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency of the U.S. government.

**Asset Allocation** - P&A's ability to achieve its investment goal depends greatly upon the PAM asset allocation mix and selecting underlying funds. There is the possibility that P&A's evaluations and assumptions regarding asset classes and underlying funds will not successfully achieve high long-term total return in view of actual market trends. The core principle of asset allocation is diversification. P&A relies heavily upon diversification to minimize investment risk but investment risk cannot be eliminated, and despite our best efforts, is oftentimes challenging to manage within a target range.

**Investing in Underlying Funds** - P&A's investments are concentrated in the underlying mutual funds, therefore the portfolio's performance is directly correlated to the performance of the underlying funds. The ability of the portfolios to achieve their

investment goals are directly related to the ability of the underlying funds to meet their investment goals. In addition, investors will indirectly bear the fees and expenses of the underlying funds.

**Management** - The PAM portfolios are subject to management risk because they are actively managed investment portfolios. P&A will apply investment techniques and risk analyses in making investment decisions for the portfolios, but there can be no assurances that these decisions will produce the desired results.

## **Item 9 – Disciplinary Information**

Registered Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of P&A or the integrity of P&A's management. P&A and its management personnel have no legal or material disciplinary events applicable to this Item.

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

**Other Business Activities** - In addition to their investment advisory activities, Penniall & Associates, Inc. IAR's offers retail brokerage services through their affiliation as registered representatives with United Planners Financial Services (UPFS). Products may include stocks, bonds, mutual funds, ETF's, 529 plans, retirement plans, and other investments. P&A also offers pension, health and welfare, and mortgage lending services through associates who are appropriately licensed. P&A generally conducts its investment advisory activities separate and apart from the advisory activities of UPFS. P&A IAR's are Registered Representatives of UPFS which necessitates that UPFS keep and maintain certain records and perform other compliance functions in relation to the advisory activities of P&A. These obligations require UPFS to coordinate with and have the cooperation of certain custodians and/or broker-dealers. Accordingly, UPFS has established a list of custodian or brokerage firms in which P&A client assets may be placed, and P&A client custodial choices will be limited to that list.

P&A maintains a reciprocal referral relationship with Highpoint Partners, LLP, an accounting and financial services firm whereby clients of Highpoint are referred to P&A for securities and advisory related services and clients of P&A are referred to Highpoint for financial services. Any fees paid to Highpoint for services rendered are separate and distinct from the compensation received by P&A for investment advisory services. Comparable services may be available through other accounting firms for a lower cost.

Mortgage lending is a service provided by an associate who holds a real estate license. Penniall & Associates, Inc. is not a mortgage firm in and of itself.

**Other Industry Activities or Affiliations** - Certain officers, other employees, and IARs of P&A may be separately licensed as registered representatives and/or principals of UPFS. As such, these individuals will be able to effect securities transactions and may receive separate, yet customary, compensation for effecting securities transactions.

P&A generally conducts its investment advisory activities separate and apart from the advisory activities of UPFS. P&A IAR's are Registered Representatives of UPFS which necessitates that UPFS keep and maintain certain records and perform other compliance functions in relation to the advisory activities of P&A. These obligations require UPFS to coordinate with and have the cooperation of certain custodians and/or broker-dealers. Accordingly, UPFS has established a list of custodian or brokerage firms in which P&A client assets may be placed, and P&A client custodial choices will be limited to that list.

P&A maintains a referral relationship with an estate planning attorney, Joseph Longo. P&A receives no compensation for any referrals made.

David R. Penniall, founder and Chief Executive Officer of P&A is also a founder and managing member of Pension Architects Advisory Group, LLC ("PAAG"), a federally registered investment adviser primarily servicing pension plans. In certain circumstances, clients of P&A may also separately engage PAAG for investment advisory services. Any fees paid to PAAG for services rendered are separate and distinct from the fees paid to P&A for investment advisory services. Mr. Penniall spends approximately 5% of his professional time related to PAAG activities.

P&A has an active insurance agency which transacts group and individual insurance plans as well as employee benefits and annuities.

P&A has pension and fiduciary advisers on staff and provides consulting to commission based retirement plans. Commission based plans are not advisory clients.

Mr. Penniall is also a licensed real estate agent. Mr. Penniall spends approximately 5% of his time in this capacity. Athlete Wealth Management Group (AWM) is a DBA of P&A and caters to the financial needs of professional athletes. Mr. Penniall spends approximately 10% of his professional time related to AWM activities.

## **Item 11 – Code of Ethics**

P&A or individuals associated with the firm may buy or sell for their personal account(s) investment products identical to those recommended to clients. In addition, a related person may have an interest or position in a certain security or securities which may also be recommended to the clients.

In some instances, these situations may create either actual or perceived conflicts of interest. As such, P&A has established the following restrictions:

A director, officer or IAR shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with P&A or UPFS, unless the information is also available to the investing public on reasonable inquiry. No person shall prefer his or her own interest to that of the advisory clients.

All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.

P&A and its employees generally may not participate in private placements or initial public offerings (IPOs) without pre-clearance from the firm's Compliance Officer.

P&A respects the right of clients to specify investment objectives, guidelines, and/or conditions/restrictions on the overall management of their accounts.

Records will be maintained of all securities or insurance products bought or sold by the firm, associated persons of the firm and related entities. A principal of P&A, or a qualified representative of the firm, reviews these records on a quarterly basis.

P&A requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

Any individual not in observance of the above may be subject to termination.

The full text of the Firm's Code of Ethics is available to you upon request.

In accordance with Section 204-A of the Investment Advisers Act of 1940, P&A also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the firm or any person associated with P&A.

It is P&A's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. P&A will also not 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. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. 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.

**Privacy Policies** - The firm views protecting its customer's private information as a top priority and, pursuant to the requirements of the federal Gramm Leach Bliley Act, the firm has instituted policies and procedures to ensure that customer information is kept private and secure.

The firm does not disclose any non-public information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a client's account, the firm may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers. The firm may also share client information where the client is receiving services from Highpoint and/or PAAG.

The firm restricts internal access to nonpublic personal information about the client to those associated persons of the firm who need access to that information in order to provide services to the client. It is the firm's policy to never sell information about current or former customers or their accounts to anyone. It is also the firm's policy not to share information unless required to process a transaction, at the request of the customer or as required by law.

P&A's clients or prospective clients may request a copy of the firm's Privacy Policies by contacting Craig Watanabe.

## **Item 12 – Brokerage Practices**

**Suggestion of Broker** - PAM clients requesting that P&A implement investment recommendations and advice will have TD Ameritrade (TDA) recommended to them. In order for P&A to facilitate securities transactions, the client must agree to open an account(s) with TDA for custody of securities, trade execution, and clearance and settlement of transactions. P&A participates in the TDA Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., (TDA) member FINRA/SIPC/NFA. TDA is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. P&A receives some benefit from TDA through its participation in the program. Please refer to additional disclosures on TDA at Item 14.

P&A places all of its securities transactions with TDA and then periodically evaluates its relationship to see if they are competitive with other services available. This could mean that in a specific circumstance, a client could pay a higher commission on a trade placed with TDA than they would if the applicant had arrangements with several broker/dealers and could compare costs on each transaction. In deciding to use TDA and in deciding to continue using TDA, P&A has considered and continues to consider the full range and quality of services, including, among other things, execution capability, commission rate, financial responsibility, responsiveness to the adviser and research services. Research received directly or indirectly from TDA may be used to service some or all of P&A's clients.

IARs of P&A, who are registered representatives of UPFS, are subject to FINRA Conduct Rule 3040 that may restrict such registered individuals from conducting securities transactions away from UPFS, unless UPFS provides the representative with written authorization. Therefore, the client is advised that IARs may be limited to conducting securities transactions through UPFS or through TDA.

Although P&A does not have the authority to determine the broker dealer or dealer used in executing client transactions without obtaining specific client consent, certain programs that P&A sponsors do require the use of certain brokers to execute transactions. There is no requirement that a client use such broker as P&A recommends; however, P&A reserves the right to not accept a client account if the client wishes to select a broker or dealer other than TDA.

## **Item 13 – Review of Accounts**

Accounts will be reviewed internally on a regular basis. The client will be provided with information at least annually, and client accounts will be rebalanced as required. For non-qualified accounts the firm may tax harvest at any time on an as needed basis. Reviews are conducted by IARs of the firm.

Changes in a client's situation, such as investment goals, financial position, unusual economic, industry or individual investment developments, may trigger a review. Marriage, divorce, death, change in employment, birth of a child, retirement, etc. may also trigger the need for additional reviews.

All investment management services clients receive statements from their custodians on either a monthly or quarterly basis. These reports will show the current market values and transactions during the past month or quarter as well as interest, dividends and capital gains for the reporting period.

P&A may provide clients with quarterly performance reports of their PAM Program Accounts.

P&A may provide retirement plan clients with investment monitoring reports on a quarterly basis and annual fee benchmarking reports upon request or as needed.

P&A may also provide financial planning clients with annual updates of their financial situation.

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

P&A may offer securities and insurance products to the public on a fully disclosed commission basis.

As discussed in Item 12 above, P&A participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between P&A's participation in the TDA Institutional program and the investment advice it gives to its clients, although P&A receives economic benefits through its participation in the program that are typically not available to TDA retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain INSTITUTIONAL money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Registrant by third party vendors. TDA may also have paid for business consulting and professional services received by P&A's related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for P&A personnel to attend conferences or meetings relating to the program or to TDA's advisor custody and brokerage services. Some of the products and services made available by TDA through the program may benefit P&A but may not benefit its client accounts. These products or services may assist us in managing and administering our client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help us manage and further develop its business enterprise. The benefits received by P&A or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TDA. Clients should be aware, however, that the receipt of economic benefits by P&A or its related persons in and of itself creates a potential conflict of interest and may indirectly influence P&A's recommendation of TDA for custody and brokerage services. No ERISA accounts are custodied at TDA therefore no prohibited transactions exist per ERISA Rule 406.

P&A also receives from TDA certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include payment coverage for Morningstar, Advent Software, FINA Connect, OutSourceThis! and Fiduciary Benchmarks, Inc. TDA provides the Additional Services P&A in its sole discretion and at its own expense, and P&A does not pay any fees to TDA for the Additional Services. P&A and TDA have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

P&A's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to us, TDA most likely considers the amount and profitability to TDA of the assets in, and trades placed for, our client accounts maintained with TDA. TDA has the right to terminate the Additional Services Addendum with us, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TDA, we may have an incentive to recommend to our clients that the assets under management by P&A be held in custody with TDA and to place transactions for client accounts

with TDA. P&A's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts

P&A will receive from Highpoint a one-time fee equal to 10% of the client's financial service fees as compensation for referring clients in need of financial services to Highpoint.

**Compensation for Client Referrals** - Occasionally, P&A will send a thank you gift -- i.e. a gift basket -- to an individual or company for an advisory client referral. The value of this gift will not exceed \$100.

As compensation for referring clients to P&A for advisory related services, the firm will share 40% of its advisory fees with Highpoint on an ongoing basis. P&A and Highpoint also maintain a commission sharing arrangement in instances where Highpoint refers clients in need of insurance products to the firm.

P&A also has a referral arrangement with Pension Architects and may share 30% of its advisory fees with Pension Architects on an ongoing basis. P&A also maintains a 30% commission sharing arrangement with Pension Architects for some non-advisory business.

P&A has a Solicitors Agreement with Philip Steele and pays Philip per the terms of said agreement.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. P&A urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

P&A usually 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, P&A observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, P&A's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to P&A in writing.

## **Item 17 – Voting Client Securities**

Clients will make all of the decisions regarding corporate actions and the exercise of proxy voting rights with respect to stock held in the client's account. P&A will not be required, and in certain cases will be precluded from, voting proxies on behalf of client accounts; although, P&A may, on rare occasions and only at the client's request, offer clients advice regarding corporate actions and the exercise of proxy voting rights.

## **Item 18 – Financial Information**

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



PENNIALL & ASSOCIATES, INC.

Item 1 – Cover Page

## Brochure Supplement

## Philip V. Boucher

123 S. Marengo Ave. #200  
Pasadena, CA 91101

P.O. Box 7001  
Pasadena, CA 91109

626-795-3062

[WWW.PENNIALL.COM](http://WWW.PENNIALL.COM)

May 21, 2013

This Brochure provides information about the qualifications and business practices of PENNIALL & ASSOCIATES, INC., herein after referred to as “P&A” or “ADVISER”. If you have any questions about the contents of this Brochure, please contact us at 626-795-3062 and/or [crw@penniall.com](mailto:crw@penniall.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

P&A is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. Additional information about P&A also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Educational Background and Business Experience**

### **Philip V. Boucher**

Year of Birth: 1953

Formal Education After High School:

- Boston University, Boston, MA, MBA 1980
- University Massachusetts, BS-BA Accounting and Finance 1976

Entered Financial Services Industry in 1992

Business Background Previous Five Years:

- Penniall & Associates, Investment Advisor Representative, 03/2010 - present
- United Planners Financial Services, Registered Representative, 03/2010 - present
- Western International Securities, Inc., Registered Representative, 1/2006 - 03/2010
- Smith Barney, Inc., Registered Representative, 11/1992 - 01/2006

## **Item 3 - Disciplinary Information**

Philip Boucher has no legal or material disciplinary events applicable to this item.

## **Item 4 - Other Business Activities**

- Philip V. Boucher is also associated with United Planners Financial Services (UPFS) as a Registered Representative. UPFS is a registered broker-dealer and a member of the Financial Industry Regulatory Authority (FINRA). As a UPFS Registered Representative, Phil may offer clients the option to purchase securities and investment products distributed by that firm including, but not limited to, mutual funds, variable annuities, variable life insurance, stocks and bonds and limited partnerships. If a client purchases or sells securities products from Phil, the he will receive commissions and related compensation such as mutual fund service fees (12b-1 fees). Clients are under no obligation to purchase recommended securities products through United Planners or Philip V. Boucher.
- Philip V. Boucher is also a licensed insurance agent appointed with various insurance companies. As a licensed insurance agent, Phil may offer investment advisory clients the option to purchase insurance products. If a client purchases insurance products through Phil, he will receive commission and related compensation, such as insurance trail fees as a result of the sale. Clients are under no obligation to purchase recommended insurance products through UPFS or Philip V. Boucher.

## **Item 5 - Additional Compensation**

See "Client Referrals and Other Compensation" on page 10 of this brochure.

## **Item 6 - Supervision**

Investment Advisory Representatives are supervised by David R. Penniall, CFP®, AIF® who can be reached at 626-795-3062. Investment decisions and directions are made by the P&A Investment Committee as described in Item 8 of the P&A disclosure brochure.