

**Item 1: Cover Page for Part 2A of  
Form ADV: Firm Brochure**

**May 2013**



**[www.ppasb.com](http://www.ppasb.com)**

**Pacific Pointe Advisors LLC**

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Santa Barbara, CA 93101  
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**Firm Contact: Timothy Morton-Smith, Chief Compliance Officer**

**This brochure provides information about the qualifications and business practices of Pacific Pointe Advisors LLC. If you have any questions about the contents of this brochure, please contact Timothy Morton-Smith by telephone at (805) 845-2400 or email at [tim@ppasb.com](mailto:tim@ppasb.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.**

**Additional information about Pacific Pointe Advisors LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Please note that the use of the term "registered investment adviser" and description of Pacific Pointe Advisors LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.**

## **Item 2: Material Changes**

Pacific Pointe Advisors LLC is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure.

Our last annual update was submitted on January 29, 2013. There have been no material changes since our last annual update of our brochure.

Upon request, we shall furnish the entire Form ADV Part 2A Firm Brochure to you free of charge.

### Item 3: Table of Contents

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#### Item 4: Advisory Business

We specialize in the following types of services: asset management and sub-advisory services. Our assets under management are \$172,968,523 as of May 23, 2013.

A. Description of our advisory firm, including how long we have been in business and our principal owner(s).

Pacific Pointe Advisors LLC (“PPA”) is a privately owned Limited Liability Company. PPA is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Our firm was founded in 2009 and the principle owners are Gary K. Dorfman, Timothy S. Morton-Smith and Andrew H. Winchester. We have a strategic services agreement with Beacon Pointe Wealth Advisors, LLC who have a minority ownership (<10%) in PPA.

We provide services to qualified high net worth individuals and institutions concentrating our practice on personalized comprehensive fee-only wealth management that helps our clients accumulate, grow, protect, enjoy and transfer their wealth.

*Some of our unique characteristics:*

- Fee only-directly from clients
- Absolute total return versus relative benchmark return philosophy
- We commit to a fiduciary standard of care for all of our clients, attempting to eliminate all conflicts of interest
- Integration of planning work and investment management – in the beginning and throughout the client relationship
- Clients always have access to principals of the firm
- Independent and employee owned

B. Description of the types of advisory services we offer.

PPA offers comprehensive wealth management services to our high net worth clients. Our investment management, financial planning, and all other related services are offered on an integrated basis and all are included in our typical client engagement.

We also offer investment management services to profit and non-profit institutions on a discretionary and non-discretionary basis.

PPA offers advice to clients regarding asset allocation and the selection of investments. Investment management services include designing, implementing, and continued monitoring of the client's account. PPA will invest the account on a fully discretionary basis, limited only by the client's individual needs and any restrictions imposed on the account, as indicated in the client's stated Investment Policy with PPA.

Areas of focus may include retirement, education funding, survivor needs, or wealth transfers. Our financial planning services do not include preparation of any kind of income tax, gift, or estate tax returns nor preparation of any legal documents, including wills or trusts.

#### *Investment Policy Development*

PPA works with clients to develop an investment policy and corresponding guidelines that are consistent with the client's goals and objectives.

#### *Asset Allocation*

PPA assists clients in making asset allocation decisions for their investment portfolios. The goal of asset allocation is to assist clients in finding the asset mix, which is most likely to achieve their investment objective within acceptable risk parameters. Clients receive a report illustrating historical data of portfolio combinations compared against the client's existing mix, including, but not limited to, recommendations on a prospective asset allocation combination.

#### *Manager and/or Mutual Fund Search*

PPA may recommend multiple investment management firms or mutual funds to individual and/or institutional clients. We segregate and classify managers and/or mutual funds by investment style or class. PPA will present the client with a report showing firm ownership, key employees, assets under management, investment process description, portfolio characteristics, portfolio returns, attribution analysis, and fees. Additional factors such as minimum and maximum account size, location of firm, stability of performance, dispersion among published returns, investment philosophy, accounts gained or lost, and other such factors may be considered when recommending investment managers and/or mutual funds. We describe our process for selecting managers under Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss, below.

#### *Ongoing Monitoring of Managers*

PPA will monitor, on an ongoing basis, each manager that we select to manage client's assets and provide periodic reports and/or recommendations to the client.

#### *Performance Evaluation*

We offer performance measurement services to clients on a quarterly basis depending upon the client's preference. Performance reporting may vary depending upon client needs, but usually includes time-weighted returns for each portfolio shown against an appropriate

benchmark, asset allocation of the client's total account, percentage of the client's assets allocated among various investment managers or securities, cash flow summary, and the standard deviation of returns versus an appropriate benchmark.

PPA may also occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. PPA may offer investment advice on any investment held by the client at the start of the advisory relationship, or acquired by the client during the relationship.

PPA offers both investment and non-investment related consulting services and investment advisory services to a variety of clients through a sub-advisory agreement with Beacon Pointe Advisors, LLC ("Beacon Pointe"). Under the sub-advisory agreement, Beacon Pointe may provide all or some of the advisory services PPA offers in this Brochure. When entering into an agreement for services with PPA the client will authorize PPA to utilize sub-advisers for any or all of the services provided by PPA. For information on how Beacon Pointe conducts its investment advisory business, please refer to Beacon Pointe's Form ADV 2 Brochure.

C. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of clients, whether clients may impose restrictions on investing in certain securities or types of securities.

A client can engage PPA to implement investment recommendations on a fee basis with PPA actively managing client assets under our Asset Management Account Program ("Program"). Under the Program, PPA will:

- Recommend to clients certain unaffiliated third party investment managers ("Independent Managers") to manage a portion or all of the assets designated by the client in accordance with the terms and conditions of the Program;
- Provide ongoing monitoring and reviewing of each Independent Manager; and
- In some cases, manage a portion of the client's assets by primarily allocating the assets among various classes of shares of no-load mutual funds.

We offer these services under the Program on a discretionary basis, including the hiring and/or firing of Independent Managers, and in accordance with the client's investment objectives and any reasonable restrictions the client may wish to place on the account. PPA reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy. Clients should notify us promptly in writing if there are any changes in their financial situation, investment objectives, or if they wish to impose or change any restriction(s) on their account.

Under the Program, PPA primarily invests client accounts by utilizing Independent Managers to manage the various asset classes determined in the client's asset allocation. Generally, client portfolios are managed by the Independent Managers through separate accounts or through mutual funds, depending on the vehicles offered by the Independent Managers and account size or other considerations specific to each client. Clients may place reasonable restrictions on the management of their account with the Independent Managers. We describe our process for selecting managers and the material investment risks for our strategies under Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss, below.

PPA may offer investment advice on any investment held by the client at the start of the advisory relationship. PPA may also occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry.

We discuss our discretionary authority below under Item 16 - Investment Discretion.

We describe the fees charged for our asset management services ("Managed Account Program") below under Item 5 - Fees and Compensation.

D. Participation in wrap fee programs.

We do not offer wrap fee programs.

E. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis.

We manage \$172,968,523 on a discretionary basis and \$0 on a non-discretionary basis as of May 23, 2013.

## Item 5: Fees & Compensation

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. In certain circumstances, advisory fees and account minimums may be negotiable based upon prior relationships as well as related account holdings.

A. Description of how we are compensated for our advisory services provided to you.

(i) Asset Management Fee Schedule:

**Portfolio Management Fee:**

<u>Assets under management</u>	<u>Annual Percentage of assets charge*:</u>
Up to \$5,000,000	1.00%
\$5,000,000 to \$10,000,000	0.80%
\$10,000,000 to \$25,000,000	0.70%
Over \$25,000,000	0.60%

**Family Office Services:**

<u>Assets under management</u>	<u>Annual Percentage of assets charge*:</u>
Up to \$50,000,000	0.60%
Over \$50,000,000	0.40%

\*Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter.

PPA may provide stand-alone financial planning services and evaluations of individual client's financial circumstances for a mutually agreed upon flat fee. Annual retainer fees are based on the approximate amount of time and resources required to provide the services agreed to in the retainer agreement. The fees for the services provided under the retainer services may be negotiable. PPA and the client will mutually define the scope of the engagement prior to providing any services. The scope of the relationship and fees to be charged will be clearly outlined in a Letter of Engagement between PPA and the client. No fees or billable activity will be accrued prior to the execution of a Letter of Engagement.



(ii) Sub-advisory Service:

We pay compensation to Sub-Advisers for services rendered by these firms to our clients and our firm. This compensation is typically equal to a percentage of the overall investment advisory fee charged by our firm or an agreed upon fixed fee. The advisory fee paid to Sub-Advisers shall be negotiable in certain circumstances, but shall never exceed the overall amount in our published fee statement. We usually pay pursuant to the following fee schedule:

- (a) 20% of the fees generated by us from each client account for which Sub-Advisers use their investment managers primarily for asset allocation or selection of independent managers in accordance with the investment objectives of the client and any reasonable restrictions the client may wish to place on the account;
- (b) 7.5% of the fees generated by us from each client account for which Sub-Advisers provide those consulting services stated in their disclosure brochures, but does not use their investment managers for asset allocation or selection of independent managers in managing client assets.

We may pay Sub-Advisers the above advisory fees, quarterly, within 30 days of Sub-Advisers billing us, each calendar quarter. Clients' accounts may be valued as of the last day of the preceding calendar quarter for billing by Sub-Advisers to us.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

(i) Asset Management:

Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Fees will generally be automatically deducted from your managed account\*. As part of this process, you understand and acknowledge the following:

- a) Your independent custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) We send a copy of our invoice to the independent custodian at the same time we send the invoice to you;
- d) If we send a copy of our invoice to you, our invoice includes a legend as required by paragraph (a)(2) of Rule 206(4)-2 under the Investment Advisers Act of 1940\*\*

\*In rare cases, we will agree to directly bill clients.

\*\*The legend urges the client to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the adviser opens custodial accounts with the qualified custodian.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

D. Termination

Either party may terminate the agreement upon thirty (30) days written notice to the other party. The client may terminate the agreement by writing PPA at our office.

PPA will refund any prepaid, unearned advisory fees based on the effective date of termination. Upon termination of the agreement, we will send the client a prorated refund of unearned advisory fees using the following formula:  $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$ .

E. Commissionable securities sales.

We do not sell securities for a commission. In order to sell securities for a commission, we would need to have our associated persons registered with a broker-dealer. We have chosen not to do so.

### **Item 6: Performance-Based Fees & Side-By-Side Management**

We do not charge performance fees to our clients.

### **Item 7: Types of Clients & Account Requirements**

We have the following types of clients:

- Individuals and High Net-Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations or other business types.

Our requirements for opening and maintaining accounts or otherwise engaging us:

- We do not require a minimum account balance for our asset management service.

## Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

Methods of Analysis:

In beginning of a new client relationship, PPA seeks to fully understand the needs, circumstances, priorities, and goals of each client. Subsequently for both individual and institutional clients, PPA works with clients to articulate an investment policy that reflects the client's current objectives and levels of risk tolerance, and incorporates any restrictions the client wishes to impose on the account.

With the client's approved investment policy in place, PPA will recommend that clients authorize the active discretionary management of their assets by certain investment managers. No such investment manager is a related person of PPA. These services are offered under the Asset Management Program through a sub-advisor arrangement with Beacon Pointe Advisors, LLC. Clients can learn more about the methods of analysis and investment strategies related to Beacon Pointe's process under *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* in Beacon Pointe's Form ADV disclosure brochure.

Investment Strategies we use:

We and Sub-Advisers may provide the above services pursuant to the policies or guidelines established by us. All investment decisions will be made by us, and Sub-Advisers will not provide investment advice to individual clients. Sub-Advisers shall use their best judgement and shall act in conformity with all federal and state laws/regulations in the performance of Sub-Advisers duties hereunder.

**Please note:**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

B. Our practices regarding cash balances in client accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to asset management service, as applicable.

### **Item 9: Disciplinary Information**

We are required to disclose whether there are legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. There are a number of specific legal and disciplinary events that we must presume are material for this Item. If our advisory firm or a management person has been involved in one of these events, we must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in our or the management person's favor, or was reversed, suspended or vacated, or (2) the event is not material. For purposes of calculating this ten-year period, the "date" of an event is the date that the final order, judgment, or decree was entered, or the date that any rights of appeal from preliminary orders, judgments or decrees lapsed.

The SEC and/or State Regulators have not provided us with an exclusive list of material disciplinary events, which need to be disclosed. If our advisory firm or a management person has been involved in a legal or disciplinary event that is not specifically required to be disclosed, but nonetheless is material to a client's or prospective client's evaluation of our advisory business or the integrity of our management, we must disclose the event. Similarly, even if more than ten years has passed since the date of the event, we must disclose the event if it is so serious that it remains currently material to a client's or prospective client's evaluation of our firm or management.

We have determined that our firm and management have nothing to disclose under the aforementioned standard.

### **Item 10: Other Financial Industry Activities & Affiliations**

We have no other financial industry activities and affiliations to disclose.

### **Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

- A. Brief description of our Code of Ethics adopted pursuant to SEC rule 204A-1 and offer to provide a copy of our Code of Ethics to any client or prospective client upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

- B. If our firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a related person recommends to clients, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A of this Brochure. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

- C. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this brochure. Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

request. Further, our related persons will refrain from buying or selling the same securities within 48 hours of buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

## Item 12: Brokerage Practices

A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

1. Research and Other Soft Dollar Benefits. If we receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

For client accounts in the Asset Management Program, we may recommend that clients maintain their assets through either Charles Schwab & Co., Inc. ("Schwab"), member FINRA/SIPC, or TD Ameritrade Institutional ("TDA Institutional"), a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. Both Schwab and TD Ameritrade are unaffiliated SEC-registered broker-dealers and FINRA (Financial Industry Regulatory Authority) member firms and are qualified custodians. They both offer services to independently registered investment advisors, which include custody of securities, trade execution, and clearance and settlement of transactions. We are independently owned and operated, and unaffiliated with either Schwab or TD Ameritrade.

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, their respective financial strength, reputation, execution, pricing, commissions for transactions, research, and service. Prior to engaging PPA to provide asset management services under the Program, the client will be required to enter into a formal Asset Management Program agreement with PPA setting forth the terms and conditions under which PPA shall manage the client's assets. The client will also execute a brokerage/custodial/clearing agreement between the client and custodian. Under certain circumstances for Asset Management Program clients, PPA may have discretionary authority to determine the securities to buy and/or sell and the amount of such securities. In those circumstances, such securities will primarily be limited to various classes of shares of no-load mutual funds. PPA will generally execute such purchases or sales with Schwab or TD Ameritrade.

PPA participates in the TDA Institutional and Schwab Advisor Services<sup>TM</sup> (formerly called Schwab Institutional<sup>®</sup>) programs. TD Ameritrade and Schwab both offer services to independent investment advisors that include custody of securities, trade execution, clearance, and settlement of transactions.

PPA receives some benefits from TD Ameritrade and Schwab through its participation in these programs. The additional economic benefits (“Additional Services”) received by PPA or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to Schwab or TD Ameritrade.

The Additional Services that we receive from Schwab and/or TD Ameritrade may or may not be offered to any other independent investment advisors participating in the program. The Additional Services provided allow us to better monitor and service client accounts maintained at the respective broker-dealer/custodian. There is no direct link between our participation in these programs and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to Schwab and/or TD Ameritrade retail investors. Schwab and/or TD Ameritrade provide the Additional Services to PPA in their sole discretion and at their own expense, and PPA does not pay any fees to Schwab and/or TD Ameritrade for the Additional Services.

PPA’s receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to PPA, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, PPA’s client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum or any other agreement with PPA, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, PPA may have an incentive to recommend to our clients that the assets under management by PPA be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. PPA’s receipt of Additional Services does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

PPA participates in TDA Institutional and Schwab Advisor Services<sup>TM</sup> customer program and PPA recommends TD Ameritrade or Schwab (collectively “Custodial Brokers”) to clients for custody and brokerage services. There is no direct link between PPA’s participation in the programs and the investment advice we give to our clients, although PPA receives economic benefits through our participation in the program that are typically not available to TD Ameritrade or Schwab retail investors.

The Custodial Broker’s brokerage services include the execution of securities transactions, custody, research related products and tools, access to a trading desk serving PPA participants; and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Specifically, PPA is given access to mutual funds with no transaction fees and to certain institutional money managers.

The Custodial Brokers also make available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business.

Custodial Brokers generally do not charge separately for custody services. However, the Custodial Brokers do receive compensation by charging commissions or other fees on trades that they execute or that settle into clients' Custodial Brokers accounts. With respect to Schwab, these services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of PPA's clients' assets are maintained in accounts at Schwab. This commitment benefits our clients because the overall commission rates clients pay are lower than they would be otherwise. The services and benefits received from TD Ameritrade are not contingent upon PPA committing to TD Ameritrade any specific amount of business (assets in custody or trading commissions).

In addition to commissions, Custodial Brokers charge a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's brokerage account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize trading costs, we have Custodial Brokers execute most trades for client accounts.

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

1. Provide access to client account data (such as duplicate trade confirmations and account statements);
2. Access to an electronic communications network for client order entry and account information;
3. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
4. Provide pricing and other market data;
5. Provides ability to have advisory fees deducted directly from client accounts; and
6. Assist with back-office functions, recordkeeping, and client reporting.



These benefits provided by Custodial Brokers to PPA may be provided without cost or at a discount. TD Ameritrade may also have paid for business consulting and professional services received by PPA's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit PPA but may not benefit our client accounts. These products or services may assist PPA in managing and administering client accounts, including accounts not maintained at TD Ameritrade. The benefits received by PPA or our personnel through participation in the TDA Institutional program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, PPA endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by PPA or our related persons in and of itself creates a potential conflict of interest and may indirectly influence PPA's choice of TD Ameritrade for custody and brokerage services.

The Custodial Brokers also offers other services intended to help us manage and further develop our business enterprise. These services may include:

1. Educational conferences and events;
2. Consulting services on various topics such as on technology, compliance, legal, and business needs;
3. Publications and conferences on practice management and business succession; and
4. Access to employee benefits providers, human capital consultants, and insurance providers.

Custodial Brokers may provide some of these services themselves. In other cases, Custodial Brokers may arrange for third-party vendors to provide the services to us. The Custodial Brokers may also discount or waive their fees for some of these services or pay all or a part of a third party vendor's fees. The third party vendors may include compliance, marketing, research, technology, and practice management products or other services provided to PPA by third party vendors. The Custodial Brokers may also provide us with other benefits, such as occasional business entertainment of our personnel. By receiving additional services, PPA will receive certain additional economic benefits, which may or may not be offered to any other independent advisor. In evaluating whether to recommend that clients custody their assets at a specific Custodial Broker, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely the nature, cost or quality of custody and brokerage services provided by Custodial Brokers, which may create a potential conflict of interest.

Clients should refer to the Independent Manager's ADV 2 Brochure for information regarding soft dollar benefits that Independent Managers may receive.

As a fiduciary, we have an obligation to obtain "best execution" of clients' transactions under the circumstances of the particular transaction. Consequently, notwithstanding the safe harbor provided under Section 28(e), no allocation for soft dollar payments shall be made unless best execution of the transaction is reasonably expected to be obtained.

- 2) Brokerage for Client Referrals. If we use client brokerage to compensate or otherwise reward brokers for client referrals, we must disclose this practice, the conflicts of interest it creates, and any procedures we used to direct client brokerage to referring brokers during the last fiscal year (i.e., the system of controls used by us when allocating brokerage).

Our firm does not receive brokerage for client referrals.

- 3) Directed Brokerage.
- a. If we routinely recommend, request or require that a client directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy. Further, we must explain that not all advisers require their clients to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of client transactions, and that this practice may cost our clients more money.

We or any of our firm's related person do not have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected.

### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

- b. If we permit a client to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.
    - a. We select brokers and dealers for any purchase or sale of assets of Client Accounts and are responsible for obtaining best execution for transactions. Consistent with this idea, we may, in the allocation of portfolio brokerage business and the payment of brokerage commissions, consider the brokerage and research services furnished the Sub-Adviser by brokers and dealers, in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended. Such research generally will be used to service all of our clients, but brokerage commissions paid by the Client Accounts may be used to pay for research that is not used in managing the Client Accounts.
    - b. Should a Client direct in writing that the Adviser or our firm use a particular broker or dealer, then such Client will negotiate terms and arrangements for their Account with that broker or dealer and we will not seek better execution services or prices from other broker-dealers. As a result, such Client Account may pay higher commissions or greater spreads, or receive less favorable net prices, on transactions for the Client Account than would otherwise be the case.
    - c. Adviser and our firm are not responsible or liable for the acts or omissions of any broker-dealer.
- B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

### **Item 13: Review of Accounts or Financial Plans**

- A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

The investment team at Pacific Pointe, Gary Dorfman, Tim Morton-Smith and Andy Winchester all principles and partners, review all Asset Management Program accounts on an ongoing basis. PPA asks that clients discuss their investment objectives with us. Clients are encouraged to meet with PPA on at least an annual basis, although we recommend quarterly, to review any changes to investment objectives, account performance, and financial planning issues.

- B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

- C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

Each investment management client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, PPA provides investment management clients written reports detailing performance in client accounts on either a quarterly, semi-annual or annual basis. PPA will specify the frequency of the reporting in the agreement between PPA and the client.

### **Item 14: Client Referrals & Other Compensation**

- A. If someone who is not a client provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

We receive an economic benefit from Schwab and TD Ameritrade in the form of the support products and services they makes available to us and other independent investment advisors whose clients maintain their accounts in their custody. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability of custodial brokers' products and services to use is not based on us giving particular investment advice, such as buying particular securities for our clients.

- B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

If an unaffiliated or an affiliated solicitor introduces a client to PPA, we may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. If an unaffiliated solicitor introduces a client to PPA, that solicitor will disclose the nature of the solicitor relationship with PPA at the time of the solicitation. In addition, the solicitor will provide each prospective client with a copy of this brochure, and a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between PPA and the solicitor, including the compensation that PPA pays the solicitor and whether or not the client is paying higher fees to PPA as a result of the solicitation. Any affiliated solicitor of PPA will disclose the nature of the relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this brochure.

### **Item 15: Custody**

- A. If we have custody of client funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules (for example, a broker-dealer or bank) does not send account statements with respect to those funds or securities directly to our clients, we must disclose that we have custody and explain the risks that you will face because of this.

PPA has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds the clients' funds and securities. Clients will receive statements directly from the qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of PPA's fee. Clients should carefully review the account statements they receive from your qualified custodian. When clients receive statements from PPA as well as from their qualified custodian, clients should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from their qualified custodian at least quarterly should also notify us.

- B. If we have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to our clients, we are required to explain that you will receive account statements from the broker-dealer, bank, or other qualified custodian and that you should carefully review those statements.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

### **Item 16: Investment Discretion**

If we accept discretionary authority to manage securities accounts on behalf of clients, we are required to disclose this fact and describe any limitations our clients may place on our authority. The following procedures are followed before we assume this authority:

For all clients under managed account advisory agreements, PPA has full discretion to select, change, and remove Independent Managers for the client's account. When PPA manages accounts directly using mutual funds, we have discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. PPA will generally attempt to contact clients before making changes to the Independent Managers or placing mutual fund trades in their account. Independent Managers investing client assets will also have full discretionary authority over the portion of the client's account they manage.

Clients will receive confirmations directly from the broker for any trades placed. Clients grant PPA discretionary authority in the contracts they sign with PPA. Clients also give PPA or the Independent Managers trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit PPA's discretionary authority, such as where the client places restrictions on the account investments or directs PPA to execute transactions through specific broker-dealers.

### **Item 17: Voting Client Securities**

If we have, or will accept, proxy authority to vote client securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

### **Item 18: Financial Information**

A. If we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must include a balance sheet for our most recent fiscal year.

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore we have not included a balance sheet for our most recent fiscal year.

- B. If we are an SEC-registered adviser and have discretionary authority or custody of client funds or securities, or we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

We have nothing to disclose in this regard.

- C. If we have been the subject of a bankruptcy petition at any time during the past ten years, we must disclose this fact, the date the petition was first brought, and the current status.

We have nothing to disclose in this regard.