

# Disclosure Brochure



## **Pratt Collard Advisory Partners, LLC**

*A Registered Investment Adviser*

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March 26, 2013

This Brochure provides information about the qualifications and business practices of Pratt Collard Advisory Partners (hereafter “PCAP” or “the firm”). If you have any questions about the contents of this Brochure, please contact us at 716-566-9140 or [michael.pratt@prattcollard.com](mailto:michael.pratt@prattcollard.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.

PCAP 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 PCAP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

There have been no material changes to this brochure since the last update.

## Item 3. Table of Contents

### Firm Disclosure Brochure

Item 1.	Cover Page.....	1
Item 2.	Material Changes .....	2
Item 3.	Table of Contents.....	3
Item 4.	Advisory Business.....	4
Item 5.	Fees and Compensation .....	5
Item 6.	Performance-Based Fees and Side-by-Side Management.....	11
Item 7.	Types of Clients .....	12
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss.....	13
Item 9.	Disciplinary Information.....	16
Item 10.	Other Financial Industry Activities and Affiliations .....	17
Item 11.	Code of Ethics .....	18
Item 12.	Brokerage Practices.....	19
Item 13.	Review of Accounts.....	23
Item 14.	Client Referrals and Other Compensation .....	24
Item 15.	Custody .....	25
Item 16.	Investment Discretion .....	26
Item 17.	Voting Client Securities.....	27
Item 18.	Financial Information .....	28

## Item 4. Advisory Business

PCAP has been in business as a registered investment adviser since November 2011. The principal owners are Michael J. Pratt and Matthew C. Collard. As of January 31, 2013, PCAP had \$117,718,941 under management for 527 clients on a discretionary basis, and no non-discretionary accounts.

PCAP offers a diverse suite of comprehensive wealth management services, which includes financial planning, consulting, and investment portfolio management. Prior to engaging PCAP to provide any of the foregoing investment advisory services, clients are required to enter into a written agreement with PCAP setting forth the terms and conditions of the advisory relationship (the "*Agreement*").

While this Disclosure Brochure generally describes the business of PCAP, certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of PCAP's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on PCAP's behalf and is subject to PCAP's supervision or control.

### Investment Portfolio Management

PCAP manages its clients' investment portfolios on a discretionary or non-discretionary basis.

The firm primarily allocates clients' investment management assets among individual debt and equity securities, mutual funds and exchange-traded funds ("ETFs"). Additionally, the firm may recommend that clients who qualify as "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles. PCAP may also provide advice about any type of legacy position or other investment otherwise held in clients' portfolios.

In addition, clients may engage PCAP to manage certain investment management products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts, assets held through employer sponsored retirement plans, and qualified

## PCAP Disclosure Brochure

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tuition plans (i.e. 529 plans). In these situations, PCAP either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

PCAP tailors its advisory services to accommodate the needs of its individual clients and continuously seeks to ensure that its clients' portfolios are managed in a manner consistent with their specific investment profiles. PCAP consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Clients are advised to promptly notify PCAP if there are changes in their financial situation or if they wish to impose any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their account if PCAP determines, in its sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Financial Planning and Consulting Services**

PCAP offers clients a broad range of comprehensive financial planning and consulting services, which include:

- Retirement Savings & Planning;
- Education Savings;
- Trustee Services;
- Cash Flow Analysis;
- Estate Planning;
- Charitable Giving;
- Risk Management; and
- Business Planning.

While certain of these services are generally rendered in conjunction with portfolio management, as part of an inclusive wealth management engagement, the firm also offers them on a standalone basis.

In performing its services, PCAP is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. PCAP may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if PCAP recommends its own services. The client is under no obligation to act upon any of the recommendations made by PCAP under a

## PCAP Disclosure Brochure

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financial planning or consulting engagement or to engage the services of any such recommended professional, including PCAP itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of PCAP's recommendations. Clients are advised that it remains their responsibility to promptly notify PCAP if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising PCAP's previous recommendations and/or services.

### **Retirement Plan Consulting Services**

Participants and sponsors of certain qualified retirement plans (e.g., 401(k) plans) can engage PCAP to analyze and consult on the various investment products offered under the plan.

On the participant level, the firm evaluates a participant's existing allocation and assesses the relative strengths and weaknesses in relation to the available investment alternatives. On the plan level, the firm consults with the plan sponsor and other key decision makers on the selection and review of the mutual funds approved and offered to participants under the plan.

Under both scenarios, clients retain the ultimate authority to implement PCAP's recommendations as they see fit, as the firm does not accept the discretion to implement its investment decisions in this regard.

### **Educational Services**

PCAP offers investment related educational and training sessions which are designed to provide institutional employees and group members with a fundamental understanding of the basic principles of investing and personal finance. When applicable, these services may also be tailored to address the specific options offered under a particular employer sponsored retirement plan.

All such educational services are provided on a non-personalized basis. In the event an individual participant seeks to engage PCAP to provide additional investment advisory services, he or she is required to enter into a separate written agreement with the firm outlining the terms of the subsequent engagement.

## **Item 5. Fees and Compensation**

PCAP offers its services on a fee basis, which includes hourly and fixed fees, as well as fees based upon the amount of assets under the firm's management or advisement.

### **Investment Management Fees**

PCAP provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by PCAP. The asset based fee generally varies between 50 and 150 basis points (0.50% - 1.50%) depending upon the amount of the assets under management and the scope of a particular engagement.

PCAP's annual fee is prorated and charged monthly in advance, based upon the market value of the assets being managed by PCAP on the last day of the previous month. This fee is exclusive of and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. PCAP does not, however, receive any portion of these commissions, fees, and costs.

### **Financial Planning and Consulting Fees**

In those situations where PCAP provides financial planning or consulting as a standalone service, the firm generally charges an hourly fee. This fee is negotiable, but generally ranges from \$200.00 to \$300.00 per hour, depending upon the level and scope of the underlying services and the professional engaged to provide them.

Generally, PCAP requires on-half of the estimated hourly fee payable upon execution of the *Agreement* with the balance due at the time services are rendered to completion. If the client engages PCAP for additional investment advisory services, PCAP may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

### **Retirement Plan Consulting Fees**

When engaged by a retirement plan participant to evaluate and consult on the composition of his or her portfolio, PCAP charges an hourly fee, which generally ranges from \$200.00 to \$300.00 per hour. Typically, PCAP required one-half of the estimated hourly fee payable upon execution

# PCAP Disclosure Brochure

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of the *Agreement* with the balance due at the time services are rendered to completion.

When engaged by a retirement plan sponsor to provide plan level consulting services, PCAP charges an annual fee of between 20 and 70 basis points (0.20% - 0.70%) on the assets on which it is advising. This fee is prorated and charged monthly in advance, based upon the market value of the plan assets on the last day of the previous month.

## **Educational Service Fees**

PCAP's educational services are provided pursuant to specialized engagements which are individually negotiated with the firm's institutional or corporate clients and customized to address their specific needs and objectives. In these situations, PCAP generally charges a fixed and/or hourly fee, which is largely determined by the size of a particular organization and the scope of the agreed upon services. The firm may also require a client pay, or reimburse, for certain incidental expenses necessary to the educational process (e.g., presentation materials, venue, travel, etc.)

## **Fee Discretion**

PCAP, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention, *pro bono* activities, etc.).

## **Fees Charged by Financial Institutions**

As further discussed in response to Item 12 (below), PCAP generally recommends that clients utilize the brokerage and clearing services of Raymond James Financial Services, Inc., an SEC registered broker-dealer and member of FINRA ("*Raymond James*") for investment management accounts.

PCAP may only implement its investment management recommendations after the client has arranged for and furnished PCAP with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Raymond James*, any other broker-dealer recommended by PCAP, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").



## PCAP Disclosure Brochure

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Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to PCAP's fee.

### **Fee Debit**

PCAP's *Agreement* and the separate agreement with any *Financial Institution* may authorize the *Financial Institution* to debit the client's account for the amount of PCAP's fee and to directly remit that management fee to PCAP. Any *Financial Institution* has agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PCAP.

### **Fees for Management During Partial Months of Service**

For the initial period of investment management services, the fees are calculated on a *pro rata* basis. If assets are deposited into or withdrawn from an account after the inception of a month, the fee payable with respect to such assets will not be adjusted or prorated based to the account for the change in portfolio value. In the event the *Agreement* between PCAP and the client is terminated by either party the fee for the final period of service is prorated through the date of termination and the unearned balance is refunded to the client as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to PCAP's right to terminate an account. Additions may be in cash or securities provided that PCAP reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to PCAP, subject to the usual and customary securities settlement procedures. However, PCAP designs its portfolios as long-term investments and the withdrawal of

## PCAP Disclosure Brochure

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assets may impair the achievement of a client's investment objectives. PCAP may consult with its clients about the options and implications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

PCAP does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains on or capital appreciation of a client's assets).

### **Item 7. Types of Clients**

PCAP provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

#### **Minimum Account Requirements**

As a condition for starting and maintaining a relationship, PCAP generally imposes a minimum portfolio size of \$50,000.00 and a minimum annual fee of \$500.00.

PCAP, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention, and *pro-bono* activities. PCAP only accepts clients with less than the minimum portfolio size if, in the sole opinion of PCAP, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. PCAP may also aggregate the portfolios of family members to meet the minimum portfolio size.

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

#### **Methods of Analysis**

PCAP relies primarily on fundamental analysis using a largely bottom up approach.

*Fundamental analysis* involves an examination of the fundamental financial condition and competitive position of a company. PCAP analyzes the financial condition, cash-flows, and capabilities of management, earnings, new products and services, as well as the company's markets and position among its competitors in order to determine the recommendations made to clients. A bottom up approach refers to starting the analysis on a microeconomic level with specific businesses in mind, as opposed to the top down approach that focuses on global macroeconomic indicators before gradually narrowing down to specific businesses. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

#### **Investment Strategies**

PCAP employs a long-term, value driven investment process and seeks to minimize portfolio turnover by generally allocating capital among positions it aims to hold for a period of three to five years. The firm selects investments (equities, bonds, mutual funds and ETFs) based upon the discount at which they are currently valued relative to their private market or intrinsic values. PCAP looks to purchase stakes in undervalued issuers that present strong finances, established management and understandable business models. PCAP does not focus on short-lived investor pessimism or quarterly earnings reports that may temporarily affect the market and, instead, concentrates on longer term projections of future revenues and earnings. PCAP believes this strategy makes its portfolios well positioned should either of the following two scenarios occur:

- A short-term market decline, which can temporarily impact the value of an investment; however, since the firm seeks to purchase investments at a discount to the private market or intrinsic value, PCAP anticipates the market decline will prove temporary and right itself as the market recognizes the true value of the investment.

## PCAP Disclosure Brochure

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- The market eventually recognizes the company's true private market or intrinsic value and therefore causes the firm's investment to appreciate accordingly.

PCAP strives to concentrate assets among the most attractive investment options available during a given market environment and utilizes diversification in an effort to achieve proper portfolio balance. While the firm does not attempt to time the market, PCAP may hold cash during market periods in which new buying opportunities are limited. Due to the firm's value bias, PCAP remains price sensitive in terms of its purchases and therefore find that most buys often occur when the market creates opportunities to deploy capital. Potential investments are not constrained by market capitalization, as the firm examines all areas of the marketplace in an effort to find value.

### **Risks of Loss**

#### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders' fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the

## PCAP Disclosure Brochure

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secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Market Risks*

The profitability of a significant portion of PCAP's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that PCAP will be able to predict those price movements accurately.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

PCAP is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. PCAP does not have any required disclosures to this Item.



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

PCAP is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. PCAP has no information to disclose in relation to this item.

## Item 11. Code of Ethics

PCAP and persons associated with PCAP ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with PCAP's policies and procedures.

PCAP has adopted a code of ethics that sets forth the standards of conduct expected of its Associated Persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by PCAP or any of its associated persons. The *Code of Ethics* also requires that certain of PCAP's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Except as specifically permitted in PCAP's *Code of Ethics*, none of PCAP's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of PCAP's clients.

When PCAP is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when PCAP is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact PCAP to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

As discussed above, in Item 5, PCAP generally recommends that clients utilize the brokerage and clearing services of *Raymond James*.

Factors which PCAP considers in recommending *Raymond James* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Raymond James* enables PCAP to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Raymond James* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by PCAP's clients comply with PCAP's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where PCAP determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. PCAP seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom PCAP and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. PCAP periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

As further set forth in the custodial agreement between the client and *Raymond James*, *Raymond James'* fee includes all execution charges except (1) certain dealer mark-ups and odd-lot differentials, transfer taxes, exchange fees mandated by the Securities and Exchange Act of 1934 and any other charges imposed by law with regard to transactions in the account, (2) offering concessions and related fees for purchases of money market mutual funds and other public offerings of securities as more fully disclosed in the prospectus; and (3) certain legal transfer fees. Clients may also incur charges for other

## PCAP Disclosure Brochure

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account services provided by *Raymond James*, through RJA, not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for transfers of securities. *Raymond James* is not obligated to execute any transaction that would violate state or federal law or regulation of any self-regulatory organization of which *Raymond James* is a member. *Raymond James* may designate certain investments that cannot be held in a client's account.

Except as otherwise provided, *Raymond James'* responsibility is limited to executing transactions pursuant the firm's instructions and *Raymond James* does not take responsibility for the management of individual client portfolios. PCAP has agreed to indemnify and hold harmless *Raymond James*, and its officers, directors, associates, agents, employees, and affiliates from any losses, costs (including attorney's fees), indebtedness, and liabilities arising from actions directed by client or the firm. This indemnification agreement is a continuing one and shall remain in full force and effect until terminated in writing.

The client may direct PCAP in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and PCAP will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by PCAP (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, PCAP may decline a client's request to direct brokerage if, in PCAP's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless PCAP decides to purchase or sell the same securities for several clients at approximately the same time. PCAP may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among PCAP'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 generally be averaged as to price and allocated among PCAP's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that PCAP determines to aggregate client orders for the purchase or sale of securities, including securities in which PCAP's *Supervised Persons* may invest, PCAP generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. PCAP does not receive any additional compensation or remuneration as a result of the aggregation. In the event that PCAP determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, PCAP may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist PCAP in its investment decision-making process. Such research generally will be used to service all of PCAP's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because PCAP does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

PCAP may receive from *Raymond James*, without cost to PCAP, computer software and related systems support, which allow PCAP to better monitor client accounts maintained at *Raymond James*. PCAP may receive the software and related support without cost because PCAP renders investment management services to clients that maintain assets at *Raymond James*. The software and related systems support may benefit PCAP, but not its clients directly. In fulfilling its duties to its clients, PCAP endeavors at all times to put the interests of its clients first. Clients should be aware; however, that PCAP's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence PCAP's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, PCAP may receive the following benefits from *Raymond James* through the its registered investment adviser group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its registered investment advisor group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

*Raymond James* has also provided PCAP with monetary assistance for the start-up of the firm that has an associated repayment provision. If PCAP maintains a specified amount of client assets on *Raymond James'* advisory platform, it will not be responsible for repayment of these costs. As such, PCAP has a financial incentive to recommend that clients utilize *Raymond James* as the custodian for their accounts.

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

PCAP monitors its clients' investment portfolios on a continuous and ongoing basis, and conducts regular account reviews at least quarterly. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with PCAP and to keep PCAP informed of any changes thereto. PCAP contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

#### **Account Statements and General Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions*. From time to time, or as otherwise requested, clients may also receive reports from PCAP that may include relevant account and/or market-related information, such as an inventory of account holdings and account performance. Clients should compare any supplemental reports they receive from PCAP with the account statements they receive from the *Financial Institution*.

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

#### **Client Referrals**

PCAP does not provide compensation for client referrals.

#### **Other Compensation**

PCAP has an arrangement in place where it receives an economic benefit from a third party (i.e., non-client) for providing advisory services. This type of relationship poses a conflict of interest and is described at length in Item 12.

PCAP is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, PCAP is required to disclose any direct or indirect compensation that it provides for client referrals.



### **Item 15. Custody**

PCAP's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize PCAP through such *Financial Institution* to debit the client's account for the amount of PCAP's fee and to directly remit that management fee to PCAP in accordance with applicable custody rules.

The *Financial Institutions* recommended by PCAP have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PCAP. In addition, as discussed in Item 13, PCAP may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from PCAP.

### **Item 16. Investment Discretion**

PCAP may be given the authority to exercise discretion on behalf of clients. PCAP is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. PCAP is given this authority through a power-of-attorney included in the agreement between PCAP and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold).

PCAP generally takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## Item 17. Voting Client Securities

PCAP may vote client securities (proxies) on behalf of its clients. When PCAP accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully-described in PCAP's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in PCAP's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact PCAP to request information about how PCAP voted proxies for that client's securities or to get a copy of PCAP's Proxy Voting Policies and Procedures. A brief summary of PCAP's Proxy Voting Policies and Procedures is as follows:

- PCAP has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to PCAP's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, PCAP devotes an appropriate amount of time and resources to monitoring these changes.
- Clients cannot direct PCAP's vote on a particular solicitation but can revoke PCAP's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that PCAP maintains with persons having an interest in the outcome of certain votes, PCAP takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

PCAP is not required to disclose any financial information pursuant to this item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past 10 years.