

P. CHAN & CO., INC.
Firm Brochure
Part 2A of Form ADV

Item 1: Cover Page

Firm Name: P. Chan & Co., Inc.

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Telephone Number: 415-488-9661

This brochure provides information about the qualifications and business practices of P Chan & Co., Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number listed above. 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 of P Chan & Co., Inc (Firm) is available at:
www.adviserinfo.sec.com. The Firm's CRD number is 112945.

Item 2: Material Changes

The Firm is switching from SEC Registration to California State Registration with the Department of Business Oversight.

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Item 4: Investment Consulting Business

- A. P. Chan & Co., Inc. (Firm) provides investment consulting services to institutional clients. It was formed by Peter Chan in April of 1988. He is the sole owner of the firm.
- B. The Firm provides consulting services in the following areas:
- Asset Allocation
 - Evaluating and identifying money managers with historical good performances
 - Tracking the client's money managers and providing quarterly performance report of the client's money managers.

Asset Allocation

The Firm uses the Markowitz's mean-variance computer program to determine the most efficient portfolio mix. The asset allocation program uses the rate of returns, risk and correlation between the asset classes to determine the most efficient asset mix for each return objective. The *efficient mix* is the mix that has the lowest risk for a particular return objective; or for a particular risk tolerance level, the mix with the highest expected return.

The Firm also identifies various strategies to Clients to reduce *market* risk, *security* risk and *manager* risk.

Evaluating and identifying money managers with historical good performances

The Firm evaluates the managers both qualitatively and quantitatively. Qualitatively, the Firm looks at the background of the lead portfolio manager and his/her tenure with the management company. To determine the riskiness of the portfolio the composition of its securities are looked at to see how diversified it is in terms of the number of securities, sectors, and geographical diversification (if its an international manager), etc. Quantitatively, the manager's annualized trailing 5-, 3- and 1-year returns are calculated and the amount of risk it took (as measured by the standard deviation and beta) to achieve the returns are calculated. The qualitative and quantitative results are then compared to its peer group and its appropriate index benchmark.

In addition, the manager style is checked by using returns based analysis. For example if the manager classifies its style as Large Cap Value Manager, the

analysis can determine if it falls in that category.

Based on the results of the above the superior managers are then identified for the Client to select. The Firm does not make any recommendations and the following disclaimer is noted:

*The information and data contained in this report are compiled from procedures and sources believed to be reliable, but accuracy cannot be guaranteed. It should not be construed as a recommendation of any manager, or to buy and sell specific funds. P. Chan & Co., Inc. disclaims any and all liability for losses that may be sustained as a consequence of use of the data presented herein. Money management firms and investment companies will be glad to provide prospective investors with complete information concerning the firms background, personnel, investment philosophy etc. Investors should request for such materials or prospectuses in order to make informed judgements. **Past performance is no assurance of future results.***

Tracking the Client's money managers and providing quarterly performance reports of the client's money managers

The Firm provides on an on-going basis the tracking of Client's money managers by collecting and maintaining the monthly performances of the managers' returns. It then uses the data to calculate the annualized return of the trailing 5-, 3-, 1-year and the year-to-date and current quarter returns. The volatility or risk, as measured by the standard deviation and the beta, are also calculated using the monthly returns data. The results are then compared against their respective indexes and peer group benchmarks on both absolute and risk-adjusted basis. The value added risk-adjusted rolling 5-year annualized returns of the managers are calculated and maintained so that the trend can be tracked.

The managers style drifts are also tracked using the returns-based analysis. This is done to make sure that a manager does not drift to another asset class from which it was originally hired to represent.

At the end of each quarter a written report is prepared for the client to review. Also, if there are any material qualitative changes, such as a change of the portfolio manager, expense ratios etc. are also brought to Client's attention.

It is understood that there are likely to be periods during which managers will under perform their respective benchmarks. Therefore, enough time should be given to the manager to turn around before a termination is considered. The Firm does not decide when to terminate the services of the manager, the Client makes that decision when it feels that enough time has been given to the manager

to turn the situation around.

The Firm only evaluates management firms such as independent managers, mutual funds, and co-mingled funds.

- C. Clients can hire the Firm to provide any of the three services individually on a one-time basis or on an on-going basis. Clients can choose whether it wants to have its assets managed buy independent managers, mutual funds, or co-mingled funds.
- D. The Firm does not participate in wrap free programs.
- E. The Firm provides continuous and regular supervisory or management services of Client's asset in regards to the monitoring of Client's managers' performance results, which is done quarterly in the form of Performance Report each quarter. In addition, the Firm also provides on-going monitoring of any material changes with the Client's manager, such as changes of the key portfolio manager, asset class style drift or changes, expense ratio, etc..The Firm does not have custody of Client's securities, or make buy and sells decisions, or have any discretionary authority of any kind.
(See page 3: Tracking of Client's managers for more detail)

Item 5: Fees and Compensation

- A. The Firm charges a flat fee for its services. It is not based on the asset value of the Client, but on the number of managers managing the Client's account.

The following is the fee schedule:

- Asset Allocation Study.....\$4,500.00
- Evaluating and identifying money managers with historical good performances.....\$3,750.00
- Tracking the client's money managers and providing quarterly performance report of the client's money managers.....\$5,500.00 minimum
The minimum fee per quarter is for up to 5 managers.
Fee for additional manager above 5 is \$425 per manager.
Note: Fees are not based on Client's asset value but on the number of managers.

The above fees are base fees, it includes a conference call to review the reports. Personal appearance to review the reports will be charged \$450 an hour for travel time.

The fees are subject to change and are negotiable.

Lower fees for comparable services may be available from other service providers.

In addition to the Firm's fees, Client will incur fees charged by the investment adviser hired by the Client.

- B. The firm does not have custody of the Client's assets, so it does not deduct fees from the Client's account for services rendered.

The fees are billed upon completion of the project for the asset allocation, and the evaluation and identifying money managers services. For the quarterly on-going manager tracking and performance report service, the Client is billed at approximately the second week into the start of each calendar quarter and is payable by the end of the quarter.

- C. There are no other types of fees or expenses Clients pay in connection to the the Firm's services.
- D. If the Client pays the fee before the service is completed and the service is terminated, the fee will be refunded on a pro-rata rate. This rate will be calculated by dividing the fee by the number of days in the period.
- E. The Firm does not accept compensation for the sale of securities or other investment products or any other types of fees other than the fees for the three services listed above.

Item 6: Performance-Based Fees and Side-By-Side Management

The Firm does not accept Performance-Based Fees and Side-By-Side Management because the Firm's fees are *not* based on Client's asset value but on the number of managers managing the Client's assets.

Item 7: Types of Clients

The Firm provides consulting services to institutional clients such as Corporations, Public Pension Plans, Foundations and Trusts.

The Firm does not require a minimum account size based on the asset value of the Client. The Firm has a minimum fee of \$5,500 and is based on the number of investment managers of the Client for the on-going service.

(See Item 5: Fees and Compensation)

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

- A. For the methods of Analysis please refer to Item 4: Investment Consulting Business.

The Firm consults with the Client in implementing investment strategies by recommending that its assets should be well diversified in the following manner:

- To reduce *market* risk, its assets under management should be diversified into at least five distinctive asset classes.
- To reduce *manager* risk, each asset class should be managed by at least two managers.
- To reduce *security* risk, the Client should select managers whose portfolios are broadly diversified in both the number of securities and sectors.

The above management of risk does not eliminate risk, investments in securities always entails risk.

- B. When a manager under performs the Firm recommends that enough time be given to the manager to recover. All managers at some point in time will under perform. The Firm recommends that at least six quarters of risk-adjusted under performance be given before deciding to replace the manager. This is because selecting a new manager to replace the under performing manager entails cost, and there is no assurance that the new manager selected will remain a good performer going forward. However, if a manager is under performing due to some material changes within its firm, such as a change of its lead portfolio manager, the firm could be terminated sooner. Also if the manager's asset class style drifts away from its asset class style from which it was hired to represent it could be a cause for termination. When and if a manager is to be replaced is a decision the Client makes.
- C. The Firm does not recommend primarily any particular type of security.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to a Client's or a prospective Client's evaluation of the Firm's consulting business or its integrity.

Item 10: Other Financial Industry Activities and Affiliations

The Firm does not receive directly or indirectly compensation from advisers that the Client hires or have other business relations with those advisers that would create conflict of interest.

The investment advisers that the Firm presents to the Client must be properly licensed or registered as an investment advisor.

The Firm does not have any other financial industry activities and affiliations.

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

The Firm does not participate or have interest in Client's Transactions and personal trading of any kind that would give rise to a conflict of interest situation.

The Firm has adopted the Code of Ethics and will provide a copy of the Code to any client or prospective client upon request.

Item 12: Brokerage Practices

The Firm is not registered as a broker-dealer and therefore does not practice in any brokerage activities.

Item 13: Review of Accounts

- A. The Firm reviews the Client's managers on an on-going basis by tracking the performances of its managers and provides the Client a written report each quarter. The review is conducted by Peter Chan, the owner of the Firm. See Item 4 for details for the *tracking of money manages and providing reports* service section of the Firm.
- B. The reviews are conducted on an on-going basis not periodically.
- C. The contents of the reviews and the frequency of the regular written reports are described in Item 4 of the *tracking of money manages and providing reports* service section of the Firm.

Item 14: Client Referrals and Other Compensation

The Firm does not directly or indirectly compensate any person for client referrals.

The firm does not accept any economic benefits in whatever form from anyone who is not a client for providing investment advice or other advisory services to the Firm's clients.

Item 15: Custody

The Firm does not have custody of Client's funds or securities.

Item 16: Investment Discretion

The Firm does not have discretion nor accepts discretionary authority to manage securities accounts of behalf of Clients.

Item 17: Voting Client Securities

The Firm does not have or accept authority to vote Client securities.

Item 18: Financial Information

- A. The Firm does not require or solicit prepayment of any amount six months or more in advance.
- B. The Firm does not have discretionary authority or custody of Client funds or securities, or require or solicit prepayment of any amount six months or more in advance.
- C. The Firm has never been the subject of a bankruptcy petition at any time.

Item 19: Requirements for State-Registered Advisers

- A. Educational and Business Background of Peter Chan. Prior to forming his own Firm in 1988, he co-founded the Managed Assets Plan, specializing in the evaluation, selection, and monitoring of professional managers. He began providing consulting services while he was a partner at Boettcher & Company a regional investment banking firm headquartered in Denver, Colorado. He began his investment experience with Hornblower Weeks Hemphill & Noyes in 1973. He is a graduate of San Francisco State University with a B.A. degree in

International Finance.

- B. Mr Chan is not involve and any other business activities other than as a investment consultant at his Firm.
- C. The Firm's fees are not performance-based.
- D. The Firm has never been involved in any of the following:
 - 1) an award or otherwise being found liable in an arbitration claim alleging damages in any amount.
 - 2) an award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding of any kind.
- E. The Firm does not have any relationship or arrangement with any issuer of securities of any kind.

The Firm does not have any material conflicts of interest . If any should arise, the Firm will update the Brochure to disclose the conflict of interest.

The Firm will maintain a written Business Continuity Plan (BCP) for clients to follow in the event that the Firm is no longer able to provide the services.

