

**Progressive Investment Management Corporation**  
**Form ADV Part 2A – Disclosure Brochure**  
**March 30, 2017**

Progressive Investment Management Corporation – Headquarters  
5100 SW Macadam Avenue, Suite 160  
Portland, OR 97239  
503.224.7828  
[www.ProgressiveInvestment.com](http://www.ProgressiveInvestment.com)

Progressive Investment Management Corporation  
256 Oakway Center  
Eugene, OR 97401  
541.345.5669  
[www.ProgressiveInvestment.com](http://www.ProgressiveInvestment.com)

This brochure provides information about the qualifications and business practices of Progressive Investment Management Corporation (referred to in this brochure as “us,” “we,” “our,” “our firm,” or “Progressive”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer, Robert Baird at 503.953.8333. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Progressive is registered under the Investment Advisers Act of 1940. Registration of an adviser does not imply a certain level of skill or training. You can find more information about Progressive at the SEC's website [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov) by searching for our firm's CRD number 107777.

## **Item 2 – Material Changes**

This Item requires us to summarize any material changes to our Form ADV Part 2A Brochure. Since our most recent annual update on March 31, 2016, our Brochure has been updated to reflect the following:

- Progressive updated its policy in reference to Cross Trading to allow the sale of a security from one account under our management and then buy that security in another account under our management for a separate client when it is beneficial to both client accounts. It is our policy to effect cross trades without regard to management fees charged to clients and without any additional compensation to us from the transaction.
- We relocated the Eugene office to 256 Oakway Center, Eugene, OR 97401 in September 2016.
- Robert Baird became the Chief Compliance Officer (CCO), effective December 17, 2016. He previously served as CCO from February, 2012 to March, 2015.
- A description of the Progressive Equity Fund Strategy has been added to Item 8, Methods of Analysis, Investment Strategies and Risk of Loss.
- A description of the Investment Team has been added to Item 8, Methods of Analysis, Investment Strategies and Risk of Loss.
- We now provide financial consulting advice beyond the scope of our normal investment management services as described in Item 4, Advisory Business.

### **How to Obtain a Copy of Our Brochure**

You may request our full Brochure free of charge by contacting our Chief Compliance Officer, Robert Baird, at 503.224.7828 or by email at [rob@progressiveinvestment.com](mailto:rob@progressiveinvestment.com). You may also download a copy via the Internet from the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4 – Advisory Business**

### **The Company**

Progressive is registered as an investment adviser and has been in business since 1988. The firm is controlled by its two founding Directors; Robert Baird, Secretary and Carsten Henningsen, President. Progressive is organized as a corporation under the laws of Oregon and the United States of America. There are two offices for Progressive; 5100 SW Macadam Avenue, Suite 160, Portland, OR 97239 and 256 Oakway Center, 97401. There are 5 employees and regular business hours are by appointment only.

All of the investment management services offered by Progressive are designed to meet social and environmental investment (SRI) criteria as defined by the firm.

### **Advisory Services**

Progressive provides investment management services on a discretionary basis to individuals, retirement plans, corporations, trusts, charitable organizations, endowments, and foundations. The firm offers separately managed accounts that may invest in individual stocks and bonds, mutual funds and Exchange Traded Funds (ETFs) using the investment strategies described below.

Our core services are described in the following paragraphs and the related fees are described in the next section of this brochure, entitled “Item 5 – Fees and Compensation.”

### **Separately Managed Accounts**

All investment decisions made by Progressive are informed by the firm’s SRI criteria. The application of these criteria reduces the number of companies that the firm may invest in relative to the overall number of companies available to most other investors. While Progressive strives to produce market competitive results from the smaller number of securities that pass the SRI criteria research process, the more limited number of available investments may make this task more difficult and reduce the likelihood that market competitive results may be achieved.

As specified in our investment management services agreement, Progressive manages client accounts on a discretionary basis.

While we use our best efforts to recommend investments designed to address client investment objectives and risk tolerance, we cannot assure that our recommendations will achieve those objectives. Past investment performance is not necessarily indicative of future returns.

## **Consulting Services**

We provide financial advice beyond the scope of our normal investment management services. This may include a review of investment accounts outside of our management such as employer sponsored retirement plans or pension accounts, 529 plans, and investments in insurance or annuity contracts. Other services may include financial projections, research on cost basis, or preparing a net worth statement.

## **Assets Under Management**

On March 22, 2017, we had approximately \$339,207,803 in assets under discretionary management and \$10,323,430 in assets under advisement. Assets under our advisement are assets in retirement plans where we provide advice on the selection of investment options to plan sponsors, but do not directly manage.

## **Item 5 – Fees and Compensation**

Our Investment Management Services Agreement establishes the specific manner in which we charge fees. Fees are calculated as a percentage of the assets under management.

### **Separately Managed Accounts Invested Primarily in Individual Securities**

Our annual fees for Separately Managed Accounts are based upon a percentage of assets under management and generally range from 0.50% to 1.25%. Portfolio management fees are charged an annual fee and billed quarterly in advance based on total assets under management for each calendar quarter, prorated for any inflows or outflows occurred during the quarter unless specified otherwise.

For the first \$1 million in the account 1.25%

For amounts from \$1 million to \$5 million 1.00%

For amounts over \$5 million .80%

A minimum of \$1,000,000 of assets under management is required for this service. This account size and the fees may be negotiable under certain circumstances. Progressive may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

### **Investing Primarily in Mutual Funds, ETFs, and Bonds**

Progressive's management fees for amounts invested primarily in mutual funds, ETFs and bonds range from .50% to 1.00% per year, computed on the market value of assets in the account.

## **Fees for Portfolio Management Services**

We offer a 10% discount for charitable 501(c) (3) accounts.

Fees may be negotiated in certain circumstances, including larger accounts. Negotiated fees may be higher or lower than our standard fees described in this brochure, depending on certain factors such as the type and size of the account, the range of additional services provided to the client, or the total amount of assets managed for a group of related clients. Fees are specified in our Investment Management Services Agreement. We reserve the right to waive fees for family members or decline services to any person or firm and for any reason.

Fees are billed quarterly in advance. In most cases, fees are deducted directly from a client's account at the beginning of each quarter, unless we both agree otherwise. The fee will be equal to one quarter of the applicable annual percentage specified in a client's Investment Management Services Agreement based upon the market value of the account on the last trading day of the previous quarter. If a client engages our services during a quarter, we will prorate the fee paid for the initial partial quarter, based on the number of days from the beginning of a client's agreement until the end of the initial quarter. If a client does not have enough cash in his/her account to pay our fee, we may sell some of the account assets to pay the fee. In most cases, we will make quarterly fee adjustments for assets added to or withdrawn from an account during a quarter using a similar pro rata calculation.

For purposes of determining the market value of assets in a client's account, securities, and other instruments traded on a market for which transaction prices are publicly reported, will be valued at the last reported sales price on the principal market in which they are traded as determined by the custodian. If there are no sales on such a date, then they will be at the average between the closing bid and asked prices on such a date. Other readily marketable securities and other instruments will be priced using an independent pricing service or through quotations from one or more dealers. Securities for which there is no active market will be valued at cost unless and until the securities are appraised by a professional appraiser, or a subsequent offering of the same securities is made at a different price, in which case the value will be adjusted to reflect the appraised value or the new price for the same securities.

Grandfathering of Minimum Account and Fee Requirements: Pre-existing advisory clients are subject to Progressive minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements and advisory fees will differ among clients.

## **Consulting Services Fees**

Consulting services may be offered in certain circumstances. The hourly rate is between \$150 and \$250 per hour based on the nature and complexity of the service provided. The applicable hourly rate will be specified in our agreement prior to your engaging our services.

## **Other Fees and Expenses**

Our advisory fees are exclusive of custody charges, brokerage commissions, transaction fees, wire transfer fees, and other costs and expenses that may be charged by service providers unrelated to Progressive. Clients are billed for services from other service providers separately from Progressive and these amounts are reported separately from Progressive's fees.

## **Fees for Advisory Clients related to investments in Mutual Funds and ETFs**

All fees paid to Progressive for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

## **ERISA Accounts**

Progressive is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Progressive may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

## **Termination of Services**

Our client agreement may be terminated on 30 days' written notice by the client or us. If the agreement terminates during a quarter, we will refund a pro rata portion of the fee paid for that quarter, based on the number of days between the end of the 30-day notice period and the end of the quarter. The client is responsible for any transaction in the account that was initiated but not settled prior to our receipt of a client initiated termination notice.

**Prepayment of Fees:** We do not require clients to pay fees that are (a) greater than \$1,200 and (b) billed six months or more in advance.

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

Progressive and its employees do not receive “performance-based fees” (fees based on a share of capital gains or capital appreciation of assets).

## **Item 7 – Types of Clients**

We generally provide advice to the following types of clients:

- individuals, including their trusts, estates, individual retirement accounts, and 401(k) plans;
- corporate pension and profit sharing plans;
- endowments and foundations;
- other investment advisors; and
- corporations or other businesses.

### **Minimum Account Size**

The minimum account size for all separately managed accounts is \$1 million. We reserve the right to waive that requirement at our discretion. Assets in related accounts may be grouped to satisfy the minimum account size requirement.

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

### **Methods of Analysis**

Our Investment Team has responsibility for managing the fixed income and equity strategies and meets on a regular basis. For the equity strategy, management includes conducting fundamental investment research, finding attractive new opportunities, and making buy and sell decisions. Early in the process, dialogue and joint work with the team assures that time is focused on companies likely to meet the ESG and financial criteria. The Investment Team conducts research using information provided by corporate documents, a diverse group of third parties and independent research companies.

We rely upon fundamental research that combines traditional investment analysis with SRI research to create a complete picture of how each company behaves commercially, as well as how it deals with existing and emerging environmental risks and opportunities.



Fundamental analysis is a technique that attempts to determine a security's value by focusing on the economic well-being of a company, as opposed to movements of its market price. In the course of our analysis, we review a company's financial statements and consider factors including, but not limited to, the company's historical financial condition, prior operating results and trends, its projected revenue growth, its competitive advantages and disadvantages, the anticipated demand for its current and future products or services, and other factors affecting the company's anticipated results from future operations. Past performance does not assure similar future performance. A company's fundamental value can be adversely affected by many factors unrelated to its actual operating performance.

We seek long-term capital appreciation and avoidance of excessive risk by diversifying investments in companies with what we believe are above-average financial characteristics and growth potential and that excel at managing environmental risks, opportunities, and societal impact. We believe that a company's understanding of these factors demonstrates the qualities of innovation and leadership that may create a competitive advantage and build long-term value. Therefore, we conduct fundamental research to find companies throughout the world with attractive environmental, societal, and financial attributes.

### **Progressive Equity Strategy**

The Progressive Equity Strategy invests primarily in large and mid-cap companies and may occasionally invest in small-cap equities and ADRs. The Strategy typically holds 30-40 stocks across major industry sectors. We may also use U.S. equity mutual funds or ETFs (exchange traded funds) in addition to individual stocks. The performance benchmark is the S&P 500 Index, a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the U.S. equity market.

Mutual Funds or ETFs will be used for the global and/or non-U.S. equity allocation within this strategy and we will determine the mix of mutual funds/ETFs. The performance benchmark for global and/or non-U.S. equity includes MSCI World, MSCI EAFE, or MSCI ACWI. They are broad-based unmanaged indexes widely recognized as representative of the global and non-U.S. equity markets.

### **Progressive Equity Fund Strategy**

The Progressive Equity Fund Strategy invests in mutual funds or ETFs (exchange traded funds) for the U.S. equity allocation within the strategy. The Strategy uses primarily funds that invest in large and mid-cap companies but may occasionally invest in small-cap equities and ADRs. The performance benchmark is the S&P 500 Index, a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the U.S. equity market.

Mutual Funds or ETFs will be used for the global and/or non-U.S. equity allocation within this strategy and we will determine the mix of mutual funds/ETFs. The performance benchmark for global and/or non-U.S. equity includes MSCI World, MSCI EAFE, or MSCI ACWI. They are broad-based unmanaged indexes widely recognized as representative of the global and non-U.S. equity markets.

## **Fixed Income Strategy**

The Fixed Income Strategy may invest in investment grade corporate, U.S. Government Agency, and taxable and tax-exempt municipal bonds (rated BBB or better) with a duration range of about 4-8 years. The Strategy may employ corporate bonds issued by companies that adhere to the firm's SRI criteria and seeks both taxable and tax-exempt municipal bonds that support positive environmental and social initiatives. Mutual Funds or ETFs may be used as part of the Fixed Income Strategy. The performance benchmark is the appropriate fixed income index(s), which may include the Barclays Capital Intermediate U.S. Government/Credit Bond, Barclays U.S. Government/Credit Bond or Barclays Capital Municipal Bond. These unmanaged indexes are considered representative of the various bond markets.

For clients interested in placing part of their fixed income allocation in community investments, we facilitate the investment in bank certificates of deposit and/or community loan fund promissory notes.

## **Separately Managed Balanced Strategies**

Balanced Portfolios combine equity and fixed income securities. The equity portion of the portfolio may be invested in our Progressive Equity Strategy, or similar Equity Funds and ETFs. The fixed-income portion of the portfolio may be invested in bonds as described above.

## **Investment Risks**

All investments in securities include a risk of losing principal (invested amount) and any profits that have not been realized. A client should be prepared to bear that risk. Stock markets and fixed-income markets fluctuate substantially over time and the performance of any investment is not guaranteed.

Our judgments about the attractiveness, value, and potential appreciation of a particular asset class or individual security may be incorrect, and there is no guarantee that the securities we select will perform as anticipated. Our estimate of value may be wrong or, even if our estimate is correct, it may take a long time before the price and value converge. As a result, there is a risk of loss in the value of the assets we manage that is out of our control. We seek to reduce risk through diversification and active management. Although we will do our best in managing a client's assets, we cannot guarantee any level of performance or that a client will not experience a loss. The following principal risks can also affect the value of your investment:

**General Market Risk:** The market price of a security may fluctuate, sometimes rapidly and unpredictably, in response to developments affecting individual companies and/or general economic

conditions. These fluctuations may be temporary or last for extended periods, causing a security to be worth less than its cost when originally purchased or less than it was worth at an earlier time.

**Stock Selection Risk:** In addition to, or in spite of, the impact of movements in the overall stock market, the value of an account's investments may decline if the particular companies in which the account invests do not perform well in the market.

**Small- and Medium-Sized Company Risk:** Investing in securities of small- and medium-sized companies, even indirectly, may involve greater volatility than investing in larger and more established companies.

**Investment Management Risk:** We may fail to implement the investment strategies and/or meet an account's investment objectives.

**Non-U.S. Securities and Emerging Markets Risk:** Non-U.S. securities tend to be more volatile and less liquid than U.S. securities. Further, non-U.S. securities may be subject to increased risks due to differences in the political, social, and economic environment abroad, as well as due to differences between United States and non U.S. regulatory, accounting, and auditing standards and, in the case of non-U.S. currency denominated securities, fluctuations in currency exchange rates. These risks are increased in emerging markets.

**SRI Policy Risk:** The SRI policies could cause the account to underperform compared to similar portfolios that do not have such policies. Accordingly, Progressive may forego opportunities to buy certain securities when it might otherwise be advantageous to do so, or may sell securities for SRI reasons when it might be otherwise disadvantageous for it to do so.

**Fixed-Income Risk:** Fixed-Income Portfolios and fixed-income securities generally have four main areas of risk:

- **Credit or Default Risk.** An account may lose money if an issuer of a bond is unable or unwilling to make timely principal and/or interest payments or to otherwise honor its payment obligations. Further, when an issuer suffers adverse changes in its financial condition or credit rating, the price of its debt obligations may decline and/or experience greater volatility. A change in financial condition or credit rating of a fixed-income security can also affect its liquidity and make it more difficult for an account to sell.
- **Interest Rate Risk.** The value of a bond may decline due to an increase in the absolute level of interest rates, or changes in the spread between two rates, the shape of the yield curve or any other interest rate relationship. Longer-term bonds are generally more sensitive to interest rate changes than shorter-term bonds. Generally, the longer the average maturity of the bonds held by an account, the more the account's value will fluctuate in response to interest rate changes.

- Prepayment Risk. An account may experience losses when an issuer exercises its right to pay principal on an obligation held by the account earlier than expected. This may happen during a period of declining interest rates. Under these circumstances, the account may be unable to recoup all of its initial investment and will suffer from having to reinvest in lower yielding securities. The loss of higher yielding securities and the reinvestment at lower interest rates can reduce an account's income, total return, and share price. Rates of prepayment, faster or slower than expected, could reduce an account's overall yield, increase the volatility of the account and/or cause a decline in value.
- Municipal Securities Risk. The yields of municipal securities may move differently and adversely compared to yields of the overall debt securities markets. There could be changes in applicable tax laws or tax treatments that reduce or eliminate current federal income tax exemption on municipal securities and otherwise adversely affect the current federal or state tax status of municipal securities. Such changes also may adversely impact the value of municipal securities owned by an account and, as a result, the overall value of the account.

## **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of us or the integrity of our management.

We have no legal or disciplinary events to report.

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

Mr. Baird and Mr. Henningsen, Directors of Progressive, are minority shareholders of Trillium Asset Management (“Trillium”) a registered investment advisor. There are no referral arrangements between our firm and Trillium. No Firm client is obligated to use the advisory services of Trillium, as no Trillium advisory client is obligated to use our advisory services. Trillium is the investment advisor to the Portfolio 21 Global Equity Fund which is held in some Progressive client portfolios. Progressive was the investment advisor to the Portfolio 21 Global Equity Fund from its inception in 1999 to 2014.

As required, any affiliated investment advisors are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

Clients should be aware that the potential receipt of additional compensation by its management as a result of their minority ownership in Trillium could create a conflict of interest that may impair the

objectivity of our firm. Firm endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment advisor; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we monitor relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

### **Code of Ethics**

We adopted a Code of Ethics (the “Code”) that applies to us and all of our employees. Each of them must comply with our Code as a condition to working with us. The Code describes the standard of conduct that we require of our employees and sets forth restrictions on certain activities, including personal trading in employee-owned, managed, or beneficially-owned accounts. The Code also includes provisions relating to areas such as gifts and entertainment, outside business activities, and the provision and solicitation of political contributions. By setting forth the regulatory and ethical standards to which we and our employees must adhere, the Code supports our efforts to promote a high level of professional and ethical conduct in furtherance of our fiduciary duty to our clients. Our Chief Compliance Officer (“CCO”) administers and enforces our Code of Ethics.

Our Code of Ethics requires our employees to:

- comply with applicable federal and state securities laws;
- conduct themselves with integrity and act ethically in their dealings with the public, clients, and professional associates;
- fulfill their duty of loyalty by acting solely in our clients' best interests;
- strive to provide long-term client satisfaction;
- disclose any conflict of interest;
- report any violation of our compliance manual to our CCO as soon as possible; and
- submit reports of securities beneficially owned by them and their related persons, and submit reports of securities transactions by them and their related persons, subject to certain permitted exceptions.

We prohibit our employees from investing in any initial public offerings. Our employees must receive approval before they invest in any private placements, trade in the securities held in the portfolio of any existing client, or invest in any other stock or many ETFs.

### **Personal Securities Trading**

We and/or our employees may buy or sell the same securities we buy or sell for our client's accounts. As a result, there may be a conflict of interest that arises between our clients and us (or one of our supervised persons) in the allocation of trades. To address that potential conflict, we impose several restrictions on personal trading. We and our employees generally may not:

- include personal trades in block trades with clients;
- trade in a manner that would be adverse or detrimental to client trades; and
- buy or sell a security for their accounts on the same day we place client trades in that security.

Moreover, our employees must receive approval from our CCO before they invest in any private placements, trade in the securities held in the portfolio of any existing client, or invest in any other stock or some ETFs.

### **Insider Trading/Material Non-Public Information**

Employees are prohibited from trading, either personally or on behalf of others (including advisory clients), on any material, nonpublic information or communicating material, nonpublic information to others in violation of the law. This conduct is frequently referred to as "insider trading."

## **Gifts and Entertainment**

Our Code includes policies and procedures regarding giving and receiving gifts and business entertainment between our employees and certain third parties such as vendors and broker-dealers to help mitigate the potential for conflicts of interest surrounding these practices. In general, Progressive limits the amount of gifts and business entertainment that may be provided by employees to these parties and requires pre-approval of certain items by our Compliance Department and/or select members of senior management. We specifically monitor for any potential conflicts of interest with respect to individual instances of gifts or business entertainment, as well as patterns of the same over time, to prevent the interests of Progressive and its employees from being placed ahead of the interests of our clients.

## **Code of Ethics Distribution and Training**

We are committed to making our employees and clients (both current and prospective) aware of the requirements within our Code. All of our employees are provided with a copy at the time of hire and annually thereafter, and each employee must affirm that they have received a copy as well as read and understood its provisions. Additionally, we conduct periodic compliance training that addresses the requirements of the Code and the other policies described in this Item. A copy of our Code of Ethics is also available to clients and prospective clients upon request and may be obtained by contacting our Client Services Manager at 503.224.7828 or at the address specified on the cover page of this brochure.

## **Item 12 – Brokerage Practices**

### **Broker Selection**

Our management discretion includes the selection of the security, the amount to be purchased or sold, the broker or dealer to be used to effect the transaction, and the commission rate to be paid (the term “commissions” includes markup, markdown, commission-equivalent, or other fee charged to a separately managed account by a broker-dealer for executing transactions for any account, including commissions received from riskless principal transactions eligible for soft dollar credits under Section 28(e) of the Securities and Exchange Act of 1934, as amended [the “1934 Act”]).

We choose brokers on the basis of the following factors:

- competitive commission rates;
- the level of efficiency and professionalism of services;
- past operating history and reputation;

- execution capabilities;
- access to the markets for the securities being traded; and
- any other factors we consider relevant.

Our overall policy is to seek best execution at the most favorable prices through the broker-dealers we use to effect transactions in client accounts.

Certain brokers through which we execute trades may provide unsolicited proprietary research (research the broker creates) to us. This research is used for all client accounts, even though only certain clients may have paid commissions to the brokers who provided the research. This research could include a wide variety of reports, charts, publications or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections.

For our clients' accounts maintained in custody at Charles Schwab & Co., Inc., an unaffiliated broker-dealer ("Schwab"), Schwab will not charge clients separately for custody, but will receive compensation from clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. If a client's assets are held at Schwab, but we use another broker-dealer to execute a trade (such as a bond trade), Schwab will charge that client a fee for clearance and settlement of trades executed through the other broker-dealer. That fee will be in addition to the fee charged by the other broker-dealer. Thus, it is generally advantageous for clients if we cause trades for clients custodied with Schwab to be executed through Schwab rather than another broker-dealer. In all cases, we acknowledge our duty to seek best execution of trades for client accounts. We receive no compensation for recommending clients to use Schwab. Commission rates paid may be higher than the lowest commission rate available. Schwab generally charges a minimum fee for each transaction in accounts. Because of this minimum fee, it often is not economically feasible to select any broker other than Schwab for equity, mutual fund, and ETF transactions.

### **Products and Services Available from Custodians**

Each client's assets must be held by a third-party custodian. A custodian can be a bank or brokerage firm. Although not required, we may recommend our separately managed account clients use Schwab as custodian for their accounts. That recommendation is based on our evaluation of Schwab's standards of recordkeeping, trade execution, research, and competitive commissions. In addition, we periodically review brokerage services received to confirm that such services continue to meet our best execution obligation.

### **Benefits to Administration of Client Accounts**

We use the Schwab Advisor Services platform. Through Charles Schwab & Co., we receive direct access to real-time client account information, electronic download of trades, balances and positions and the ability to directly debit advisory fees payable. Progressive receives software and support services,



including reductions in seminar and conference fees from Charles Schwab & Co. Program services provided to us are not contingent upon any specific amount of business (assets or trading).

These services generally are available to independent investment advisors, on an unsolicited basis, at no charge to them so long as the advisor's clients collectively maintain a certain amount of account assets with Schwab. These services include brokerage, custody, and research services, as well as access to mutual funds and other investments that are otherwise available only to institutional investors. They also make available to us products and services that benefit us and assist us in managing and administering client accounts. Unlike soft dollar programs, we are under no obligation to Schwab to provide any level of commission business from effecting securities transactions in client accounts in exchange for these products or services. Support services include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts);
- provide pricing information and other market data;
- facilitate payment of our fees from clients' accounts; and
- assist with back-office support, recordkeeping, and client reporting.

Many of these services may be used for all or a substantial number of our client accounts, including any accounts that are not maintained with Schwab. These products and services benefit us because they enable us to more quickly and accurately service our client accounts.

### Benefits to Our Business

Schwab also makes available to us other services to help us manage and further develop our business. These services may include consulting, publications, and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange, and/or pay for these types of services when provided to us by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to us. Thus, minimum account assets required may give us an incentive to recommend that clients custody assets with Schwab, based in part on our interest in receiving Schwab's services that benefit our business, rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as a custodian is in the best interests of our clients as our selection is primarily supported by and based upon the scope, quality, and price of Schwab's services. Additionally, we have well in excess of the minimum threshold in assets at Schwab and therefore do not consider this a material conflict of interest.

## **Soft Dollar Practices**

Progressive does not engage in soft dollar practices.

## **Cross Trades**

Progressive may engage in cross trades in its client accounts. Cross trades occur when we sell a security from one account under our management and then buy that security in another account under our management for a separate client. When we effect a cross trade, we will seek to do so consistent with the appropriate standard of care and applicable legal and regulatory requirements. Progressive will make a cross trade only after making a reasonable determination that the cross trade fits the investment guidelines for each client's account, is executed at fair market levels, and is fair and equitable for each client.

Potential conflicts of interest include an incentive to sell unmarketable securities into one client account or favor one account by "cherry-picking" the more profitable securities transactions for that client. However, it is the Firm's policy not to favor or disfavor any one client over another. The firm further mitigates the potential conflict by using independent pricing available through one or more custodians such as Schwab to ensure best execution. Additionally, we will not re-price any security following a cross-trade or use any different security valuation method for one client versus another client, which means that no cross-trade will result in a better deal for any particular client. Last, the Firm will effect cross trades without regard to management fees charged to clients and without any additional compensation from the transaction.

The Firm will not engage in agency cross transactions between proprietary accounts and client accounts unless it has complied with Section 206(3) and instituted related policies and procedures.

## **Trade Aggregation and Allocation**

To obtain more favorable order execution and lower per-share brokerage costs, we aggregate (combine) contemporaneous buy or sell orders for the same securities, with applicable accounts participating in the aggregated order on a pro rata basis. Occasionally, we may only partially fill an aggregated order. Under those circumstances and to the extent it makes practical sense, we allocate the order on a pro rata basis among the applicable clients.

Exceptions to the pro rata allocation of partially filled orders may occur for several reasons, such as the avoidance of odd lots or de minimis numbers of shares, or sensitivity to total transaction cost. If we cannot feasibly allocate partially filled orders on a pro rata basis, we allocate trades on an alphabetical or reverse alphabetical basis. There may be instances when partially filled orders may adversely affect the size of the position or the price clients pay or receive, as compared with the size of the position or price that clients would have paid or received had no aggregation occurred. We do not

include employee transactions with client orders. Employee transactions must be executed at least one day after any client transaction in that security.

**Note:** The aggregation and allocation policies above apply to trades in equity securities only. We buy and sell fixed-income securities through a bidding process that does not require us to aggregate or allocate the transactions. Furthermore, orders for shares of mutual funds or ETFs are generally fully filled and do not present allocation issues.

## **Item 13 – Review of Accounts**

### **Separately Managed Accounts**

**Reviews and Reviewers:** We review separately managed client accounts quarterly. More frequent reviews are triggered by:

- deposits or withdrawals;
- client gifting;
- a client's instructions to review the account;
- additional cash required for an investment;
- changes in market conditions;
- changes in opinion for one or more companies in our portfolios; and
- appreciation or depreciation of individual holdings.

Our computer system allows accounts to be reviewed simultaneously in such events.

Accounts are generally reviewed by one or more members of the Investment Team, which includes Robert Baird, Carsten Henningsen and/or Bryceson Charlton, CFA.

**Reports for Accounts:** We also provide detailed written reports, either quarterly or annually, as specified by the client relationship. These reports discuss portfolio positions, asset allocation, changes in portfolio value, and investment returns. We urge our clients to carefully review these reports and compare them to the statements they receive from the custodian. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

We receive an economic benefit from Schwab in the form of support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts

at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to us of Schwab’s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients or generating any level of commissions in client accounts.

Currently, we engage one solicitor, Scott Pope, for referring potential clients to our firm. Mr. Pope founded Sustainable Wealth Management, a Registered Investment Advisor, in 2005. From 1991 to 2005 he was an Investment Advisor for Progressive Investment Management. If you become our client as a result of the solicitor’s efforts, you will receive a separate solicitor’s disclosure brochure describing our solicitation arrangements, the compensation we pay to the solicitor, and the terms of that relationship. You will also receive a copy of this Brochure. Generally, any such agreement will provide for payment to the solicitor of a percentage of the advisory fees we collect from you. Solicitor compensation will be based upon the advisory fees we collect from you, and may be paid during a specified time period after we begin providing advisory services to you or for the entire time that you remain one of our clients. The solicitor may therefore have a financial incentive to recommend our advisory services over other programs or services. The amount of this compensation may be more than the amount the solicitor would receive if you participated in other programs or paid separately for investment advice, brokerage, and other services. Generally, we would not charge clients introduced by such solicitors any higher advisory fee as a result of our obligation to pay for such solicitation services.

## **Item 15 – Custody**

For investment advisory and management services, we directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes us to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian holding your funds and securities at least quarterly. The account statements from your custodian will indicate the amount of our advisory fees deducted from your account each billing period.

You should carefully review account statements for accuracy. You should compare our reports with the statements from your account custodian to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us at 503.224.7828.

## **Item 16 – Investment Discretion**

Our authority in managing accounts includes the full discretionary power to purchase, sell, and exchange securities and other investments, exercise all rights conferred on the holder of such assets, and reinvest all proceeds without seeking prior client approval for each transaction. However, in all cases, such discretion is to be exercised in a manner consistent with clients’ investment policy statement or

similar document. Clients also sign an agreement with their custodian that generally includes a limited power of attorney granting us authority with their custodian to direct and implement the investment and reinvestment of assets within the account, but not direct or move assets outside of the account without written client approval.

When selecting securities and determining amounts, we observe any investment limitations or restrictions clients provide to us in writing. For pension and retirement plans governed by ERISA, our investment advice is also limited by ERISA's requirements and prohibitions.

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

### **Proxy Voting Policy**

We generally have authority to vote proxies on behalf of clients in separately managed accounts (with individual equity holdings).

We have adopted a written Proxy Voting Policy setting the standards and guidelines for voting proxies. We delegate to an independent proxy-voting firm the actual voting of proxies on behalf of our clients. That firm votes all proxies in accordance with our proxy voting policy.

Under our Proxy Voting Policy, we seek to further the clients' best interest (and, for ERISA accounts, the best interest of plan beneficiaries and participants). Our Client Services Manager ensures that all proxies we receive are timely forwarded to the proxy-voting firm. Our Client Services Manager identifies any potential conflicts of interest arising in connection with a proxy proposal.

### **Resolving Conflicts in Proxy Voting**

If the subject matter of any proxy creates a conflict of interest between us and any of our clients, the Proxy Voting Policy resolves such conflict as follows:

1. We (through the independent proxy-voting firm) will vote in accordance with predetermined guidelines stated in the Proxy Voting Policy ("Guidelines");
2. We will request the client's consent to the vote, after disclosure to the client of the subject matter of the proxy, the nature of the conflict, and the proposed decision; or
3. The client may direct us to forward proxies involving a conflict of interest to a specified independent third party for the third party's review and recommendation.

Under the Guidelines, we (through the independent proxy-voting firm) generally will vote in favor of SRI policies and actions promoting sustainable development and principles of equity, fairness and transparency. We may disregard the Guidelines in situations where a client's best interest would be

served by voting otherwise. In that case, we would direct how the independent proxy-voting firm should vote that client's shares.

If the Guidelines do not specify how we should vote on an issue (such as a proposed acquisition), we will decide how to vote on that issue and will direct the independent proxy-voting firm to vote accordingly.

### **Obtaining Proxy Voting Information**

A copy of our Proxy Voting Policy or information on how securities in client accounts were voted is available by sending a written request to:

Progressive Investment Management  
Attn: Client Services Manager  
5100 SW Macadam Avenue, Suite 160  
Portland, OR 97239

## **Item 18 – Financial Information**

We must disclose any financial condition that could impair our ability to meet our contractual obligations to our clients. We also must disclose if we have been the subject of any bankruptcy proceeding within the last 10 years. We have no financial matters to disclose, and we have never been the subject of any bankruptcy proceeding.