

## **Form ADV Part 2A Disclosure Brochure**

### **Item 1 – Cover Page**

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#### **Branch Location:**

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Date of Disclosure Brochure: December 2018

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This disclosure brochure provides information about the qualifications and business practices of Peter Pesic & Co. Advisors (also referred to as Peter Pesic & Co. Advisors throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Peter N. Pesic at Ph: 416-579-1515 or E-mail: [PeterNPesic@aol.com](mailto:PeterNPesic@aol.com). The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Peter Pesic & Co. Advisors is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Peter Pesic & Co. Advisors or our firm's CRD number 166198.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since our last annual amendment filing in November 2017, the following material change has been made to this brochure:

- There have been no material changes since the annual amendment was last filed in November 2017.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4 – Advisory Business**

Peter Pesic & Co. Advisors is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a sole proprietorship formed under the laws of the Province of Ontario, Canada.

- Peter N. Pesic is the Chief Compliance Officer (CCO) and is the sole proprietor that owns Peter Pesic & Co. Advisors.
- Peter Pesic & Co. Advisors filed its initial application to become registered as an investment adviser in November 2012.

### **Introduction**

The investment advisory services of Peter Pesic & Co. Advisors are provided to you by appropriately licensed and qualified individuals who will be registered as investment adviser representatives if such individual works from a state in the United States that requires such registration for the solicitation of investment advisory services.

The investment advisory services of Peter Pesic & Co. Advisors are limited to the referral of advisory clients to other investment advisors. Any investment advisory fees received by Peter Pesic & Co. Advisors will be consistent with the descriptions detailed in this disclosure brochure. Since the services of Peter Pesic & Co. Advisors are limited to making referrals, Peter Pesic & Co. Advisors will not require the introduced client to have a services agreement with Peter Pesic & Co. Advisors. However, Peter Pesic & Co. Advisors will provide client with a Solicitor Disclosure Statement providing details about the referral arrangement with the referred investment adviser firm. It is expected that each client will execute an advisory services agreement directly with the investment adviser firm to which the client has been referred by Peter Pesic & Co. Advisors and that advisory services agreement will specify the advisory services and fees that the client will be charged by the referred investment adviser firm.

### **Description of Advisory Services**

**Referral of Other Investment Advisors** - Peter Pesic & Co. Advisors offers advisory services by referring clients to selected third-party investment advisors that offer asset management and other investment advisory services. Under limited circumstances, Peter Pesic & Co. Advisors may be available to act as the communication conduit between you and the third-party investment advisor. The third-party investment advisor is responsible for providing investment advisory services to you pursuant to the terms of an advisory services agreement you will execute directly with the third-party investment advisor. The advisory services of the third-party investment advisor will typically include asset management services that involve the investment advisor's provision of continuous monitoring of your accounts and the implementation of trades in your accounts. You may grant the third-party investment advisor discretionary authority to determine the securities to be purchased and sold for your account. Peter Pesic & Co. Advisors does not have any trading authority with respect to your designated account(s) that are referred for asset management services by the third-party investment advisor.

As a result of the referral of client accounts to a third-party investment advisor, Peter Pesic & Co. Advisors is paid a solicitor fee, which is a portion of the total fee charged to you and collected by the third-

party investment advisor. The referral arrangement is also commonly known as a solicitation arrangement. Each solicitation arrangement is performed pursuant to a written solicitation agreement between Peter Pesic & Co. Advisors and the third-party investment advisor and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

Although Peter Pesic & Co. Advisors reviews the performance of numerous third-party investment advisor firms, Peter Pesic & Co. Advisors enters into only a select number of relationships with third-party investment advisor firms that have agreed to pay Peter Pesic & Co. Advisors a portion of the total advisory services fee charged to clients. Therefore, Peter Pesic & Co. Advisors has a conflict of interest in that Peter Pesic & Co. Advisors will only recommend third-party investment advisors that will agree to compensate Peter Pesic & Co. Advisors for referrals of clients. Additionally, Peter Pesic & Co. Advisors will only refer clients to third-party investment advisors that have met the conditions of a due diligence review conducted by or on behalf of Peter Pesic & Co. Advisors.

You should be aware that there may be other third-party investment advisors that provide asset management and other investment advisory services and such other third-party investment advisors are not recommended by Peter Pesic & Co. Advisors. Certain of those other third-party investment advisors offer investment advisory services that would be suitable for your accounts and that may be more or less costly than the investment advisory service arrangements recommended by Peter Pesic & Co. Advisors. No guarantees can be made that your financial goals or objectives will be achieved by a third-party investment advisor recommended by Peter Pesic & Co. Advisors. Further, no guarantees of performance can ever be offered by Peter Pesic & Co. Advisors.

**Asset Management Services** – Peter Pesic & Co. Advisors also offers asset management services, which involves Peter Pesic & Co. Advisors providing you with continuous and ongoing supervision over your specified accounts.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

### **Limits Advice to Certain Types of Investments**

Peter Pesic & Co. Advisors provides investment advice on the following types of investments:

- Exchange Listed Securities
- Securities Traded Over-the-Counter

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

*(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Client Assets Managed by Peter Pesic & Co. Advisors**

Peter Pesic & Co. Advisors does not have any client assets under management to disclose as of the date of this brochure.

## **Item 5 – Fees and Compensation**

### **Third-Party Investment Advisors**

Third-party investment advisors generally have account minimum requirements that will vary among the third-party investment advisors. Account minimums are typically higher on fixed income accounts than for equity based accounts. A complete description of the third-party investment advisor's services, fee schedules and account minimums will be disclosed in the third-party investment advisor's Form ADV Part 2A Disclosure Brochure, which will be provided to you prior to or at the time an agreement for services is executed and the account is established with the third-party investment advisor.

The actual fee charged to you will vary depending on the third-party investment advisor. All fees are calculated and collected by the third-party investment advisor who will be responsible for delivering Peter Pesic & Co. Advisors' portion of the fee paid by you to Peter Pesic & Co. Advisors.

### **Asset Management Services**

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period will be billed in arrears at the end of that billing period.

The asset management services continue in effect until terminated by either party (i.e., {the investment adviser firm} or you) by providing written notice of termination to the other party. When fees are billed in arrears, {the investment adviser firm} will prorate the final fee payment based on the number of days services are provided during the final period. The amount of client assets on the termination date will be used to determine the final fee payment.

Fees charged for our asset management services are negotiable based on the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

The annual fee for asset management services will range up to a maximum of 1.90%

The amount of asset management fee that will be charged to your account will be specified in your client agreement.

Peter Pesic & Co. Advisors believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

The investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account. You will authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to our firm. See *Item 15 – Custody* for more details.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

### **Additional Fee Charges for Asset Management Services**

Brokerage commissions and/or transaction ticket fees charged by the qualified custodian are billed directly to you by the qualified custodian. Peter Pesic & Co. Advisors does not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than Peter Pesic & Co. Advisors in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and

charges imposed by the qualified custodian(s) of your account. Management fees charged by Peter Pesic & Co. Advisors are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

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

Performance-based fees are defined as fees that are based on a share of capital gains on or capital appreciation of the assets held in a client's account. Peter Pesic & Co. Advisors does not charge or accept performance-based fees.

## **Item 7 – Types of Clients**

Peter Pesic & Co. Advisors generally will refer the following types of clients to third-party investment advisors:

- Individuals
- High net worth individuals
- Pension and profit sharing plans
- Other pooled investment companies (e.g. hedge funds)
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

Each client will be required to execute a written agreement with the third-party investment advisory specifying the particular investment advisory services to be provided by the third-party investment advisor.

### **Minimum Investment Amounts Required**

Third-party investment advisors may have minimum account and minimum fee requirements in order for clients to participate in their programs. Each third-party investment advisor will disclose its minimum account size and fees in its Form ADV Part 2A Disclosure Brochure.

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

### **Methods of Analysis; Investment Strategies**

Since Peter Pesic & Co. Advisors does not provide individualized investment advice to clients, Peter Pesic & Co. Advisors does not employ particular methods of analysis to formulate investment advice and does not employ investment strategies.



### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. When investing, you should be prepared to bear investment loss including loss of original principal.

### **Item 9 – Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of the business or integrity of Peter Pesic & Co. Advisors.

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

Peter Pesic & Co. Advisors is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

Peter Pesic & Co. Advisors is an independent registered investment advisor and only provides investment advisory services limited to the referral of clients to third-party investment advisors. Peter Pesic & Co. Advisors is not engaged in any other business activities and offers no services other than those described in this Disclosure Brochure. However, while Peter Pesic & Co. Advisors does not sell products or services other than investment advice through the referral of clients to third-party investment advisors, individuals that are associated with Peter Pesic & Co. Advisors may sell other products or provide services outside of their association with the investment advisor firm Peter Pesic & Co. Advisors.

### **Third-Party Money Managers**

As previously described at *Items 4* and *5* of this disclosure brochure, Peter Pesic & Co. Advisors has developed several arrangements designed to allow Peter Pesic & Co. Advisors to recommend and select third-party investment advisors for you. Once you select a referred third-party investment advisor to manage all or a portion of your assets, the third-party investment advisor will pay Peter Pesic & Co. Advisors a portion of the fees you are charged. Please refer to *Items 4 and 5* for full details regarding the programs, fees, conflicts of interest and materials arrangements when Peter Pesic & Co. Advisors selects third-party investment advisers.

### **EZ Custom Software Solutions, Inc.**

Peter N. Pesic is the Managing Director of EZ Custom Software Solutions, Inc. EZ Custom Software Solutions, Inc. is a provider of stock options software and administrative services. Peter N. Pesic receives compensation for his activities as the Managing Director of EZ Custom Software Solutions, Inc. Many of the clients of EZ Custom Software, Inc. are companies that are domiciled in the United States. One of the administrative services provided by EZ Custom Software Solutions, Inc. is an on-line portal for the underlying clients of the companies that have purchased software or services from EZ Customer Software Solutions. The on-line portal allows the underlying clients to access their employee equity benefits information. Peter Pesic & Co. Advisors anticipates that it may identify certain third-party investment advisor firms with which to set up investment advisory solicitation arrangements as a result of such third-party investment advisor firms doing business with EZ Custom Software Solutions. No client of EZ Custom Software Solutions will be required to establish a solicitation arrangement with Peter Pesic & Co. Advisors, and no third-party investment advisor who has a solicitation arrangement with Peter Pesic & Co. Advisors will be required to do business with EZ Custom Software Solutions.

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

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Peter Pesic & Co. Advisors has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as “supervised persons”. All employees, officers, directors and investment adviser representatives are classified as supervised persons. Peter Pesic & Co. Advisors requires its supervised persons to consistently act in your best interest in all advisory activities. Peter Pesic & Co. Advisors imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm’s fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of Peter Pesic & Co. Advisors. If you wish to review the Code of Ethics in its entirety, you should send Peter Pesic & Co. Advisors a written request and upon receipt of your request, Peter Pesic & Co. Advisors will promptly provide a copy of the Code of Ethics to you.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

As consistently indicated in this disclosure brochure, Peter Pesic & Co. Advisors limits its investment advisory services to the referral of clients to third-party investment advisors. Peter Pesic & Co. Advisors does not provide individualized investment advice. In the event that Peter Pesic & Co. Advisors were to provide any individualized investment recommendations, then Peter Pesic & Co. Advisors and any associated persons of Peter Pesic & Co. Advisors may not buy or sell for their personal accounts, investment products identical to those recommended to clients. It is the express policy of Peter Pesic & Co. Advisors that all persons associated in any manner with Peter Pesic & Co. Advisors must place

clients' interests ahead of their own interests when implementing personal investments. Peter Pesic & Co. Advisors and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with Peter Pesic & Co. Advisors unless the information is also available to the investing public upon reasonable inquiry.

Peter Pesic & Co. Advisors is now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, Peter Pesic & Co. Advisors has developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider".
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted to the Chief Compliance Officer of Peter Pesic & Co. Advisors.

Any associated person not observing our policies is subject to sanctions up to and including termination.

## **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of Peter Pesic & Co. Advisors. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered.

### **Brokerage Recommendations**

You are under no obligation to act on the financial planning recommendations of {the investment adviser firm}. If we assist you in the implementation of any recommendations, we are responsible to ensure that you receive the best execution possible.

Peter Pesic & Co. Advisors recommends that you establish brokerage accounts with TD Ameritrade through their Institutional Platform. TD Ameritrade, Inc. ("TD Ameritrade") is a member of FINRA/SIPC/NFA. TD Ameritrade is an independent (and unaffiliated) SEC-registered broker-dealer and is recommended by {the investment adviser firm} to maintain custody of clients' assets and to effect trades for their accounts.

At least annually, we will review alternative custodians in the marketplace for comparison to the currently used custodian, evaluating criteria such as overall expertise, cost competitiveness, and financial condition. Quality of execution for custodians will be reviewed through trade journal evaluations.

Peter Pesic & Co. Advisors is independently owned and operated and not affiliated with TD Ameritrade.

The primary factor in suggesting a broker/dealer or custodian is that the services of the recommended firm are provided in a cost-effective manner. While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer and money manager suggested by {the investment adviser firm} must be efficient, seamless, and straight-forward. Overall custodial support services, trade correction services, and statement preparation are some of the other factors determined when suggesting a broker/dealer.

TD Ameritrade, Inc. provides us with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors at no charge to them so long as the independent investment advisors maintain a minimum amount of assets with the custodian.

TD Ameritrade does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed by recommended money managers through the custodian or that settle into a custodian account.

These benefits include, but are not necessarily limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and allocate the appropriate shares to client accounts; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors.

Specifically, Peter Pesic & Co. Advisors participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions.

### **Directed Brokerage**

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, {the investment adviser firm} may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, {the investment adviser firm} has decided to require our clients to use broker/dealers and other qualified custodians determined by Peter Pesic & Co. Advisors.

### **Soft Dollar Benefits**

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer.

Peter Pesic & Co. Advisors does not have a soft dollar agreement with a broker-dealer or a third-party.

### **Handling Trade Errors**

Peter Pesic & Co. Advisors has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of {the investment adviser firm} to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by {the investment adviser firm} if the error is caused by Peter Pesic & Co. Advisors. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. Peter Pesic & Co. Advisors may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

Peter Pesic & Co. Advisors will never benefit or profit from trade errors.

### **Block Trading Policy**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when {the investment adviser firm} believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Peter Pesic & Co. Advisors uses the pro rata allocation method for transaction allocation.

Under this procedure, pro rata trade allocation means an allocation of the trade at issue among applicable advisory clients in amounts that are proportional to the participating advisory client's intended investable assets. {the investment adviser firm} will calculate the pro rata share of each transaction included in a block order and assigns the appropriate number of shares of each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which {the investment adviser firm} or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

### **Agency Cross Transactions**

Our associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers; Statements and Reports**

Peter Pesic & Co. Advisors does not review client accounts and does not provide reports to clients regarding the client's accounts that have been referred by Peter Pesic & Co. Advisors to a third-party investment advisor.

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

Peter Pesic & Co. Advisors does not directly or indirectly compensate any person for client referrals.

The only compensation received by Peter Pesic & Co. Advisors is the portion of the total advisory fee charged to client that is paid to Peter Pesic & Co. Advisors pursuant to the solicitation arrangement established with the third-party investment advisor.

## **Item 15 – Custody**

Peter Pesic & Co. Advisors is deemed to have custody of client funds and securities whenever Peter Pesic & Co. Advisors is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Peter Pesic & Co. Advisors will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Peter Pesic & Co. Advisors is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct,

in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Peter Pesic & Co. Advisors. When clients have questions about their account statements, they should contact Peter Pesic & Co. Advisors or the qualified custodian preparing the statement.

When fees are deducted from an account, Peter Pesic & Co. Advisors is responsible for calculating the fee and delivering instructions to the custodian. At the same time Peter Pesic & Co. Advisors instructs the custodian to deduct fees from your account; Peter Pesic & Co. Advisors will send you an invoice itemizing the fee. Itemization will include the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

### **Item 16 – Investment Discretion**

When providing asset management services, Peter Pesic & Co. Advisors maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to Peter Pesic & Co. Advisors so long as the limitations are specifically set forth or included as an attachment to the client agreement.

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

#### **Proxy Voting**

Peter Pesic & Co. Advisors does not vote proxies on behalf of clients. You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are

encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

For accounts managed by other investment advisory firms you will need to refer to each third-party investment advisor's disclosure brochure to determine whether the third-party investment advisor will vote proxies on your behalf. You may request a complete copy of the third-party investment advisor's proxy voting policies and procedures as well as information on how your proxies were voted by contacting the third-party investment advisor.

### **Class Action Lawsuits**

You retain the right under applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for you. Peter Pesic & Co. Advisors does not initiate such a legal proceeding on behalf of clients and does not provide legal advice to clients regarding potential causes of action against such a security issuer and whether the client should join a class-action lawsuit. Peter Pesic & Co. Advisors recommends that you seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit.

## **Item 18 – Financial Information**

Peter Pesic & Co. Advisors does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, Peter Pesic & Co. Advisors is not required to include a balance sheet for the most recent fiscal year. Peter Pesic & Co. Advisors is not subject to a financial condition that is reasonably likely to impair Peter Pesic & Co. Advisors' ability to meet contractual commitments to clients. Finally, Peter Pesic & Co. Advisors has not been the subject of a bankruptcy petition at any time.

## **Item 19 -- Customer Privacy Policy Notice**

**Commitment to Your Private Information:** Peter Pesic & Co. Advisors has a policy of protecting the confidentiality and security information Peter Pesic & Co. Advisors collects about our clients. Peter Pesic & Co. Advisors does not, and will not, share nonpublic personal information about you ("Information") with outside third parties without your consent, except for the specific purposes described below. This notice has been provided to you to describe the Information Peter Pesic & Co. Advisors may gather and the situations under which Peter Pesic & Co. Advisors may need to share it.

**Why We Collect and How We Use Information.** Peter Pesic & Co. Advisors limits the collection and use of Information within Peter Pesic & Co. Advisors to only those individuals associated or employed with Peter Pesic & Co. Advisors that must have Information to provide financial services to you. Such services include maintaining your accounts, processing transaction requests, providing financial planning, financial consultation, and other services described in our Form ADV.

**How We Gather Information.** Peter Pesic & Co. Advisors gets most Information directly from you when you provide Peter Pesic & Co. Advisors with information from any of the following sources:



- Applications or forms (for example: name, address, social security number, birth date, assets, income, financial history)
- Transactional activity in your account (for example: trading history and account balances)
- Information services and consumer reporting sources (for example: to verify your identity or to assess your credit history)
- Other sources with your consent (for example: your insurance professional, attorney, or accountant)

**How We Protect Information.** Employees and affiliated persons of Peter Pesic & Co. Advisors are required to protect the confidentiality of Information and to comply with stated policies. They may access Information only when there is an acceptable reason to do so, such as to service your account or provide you with financial services. Employees who violate our Privacy Policy are subject to disciplinary action, up to and including termination from employment with Peter Pesic & Co. Advisors. Peter Pesic & Co. Advisors also maintains physical, electronic, and procedural safeguards to protect information, which comply with applicable SEC, state, and federal laws.

**Sharing Information with Other Companies Permitted Under Law.** Peter Pesic & Co. Advisors does not disclose Information obtained in the course of our practice except as required or permitted under law. Permitted disclosures include, for instance, providing information to unrelated third parties who need to know such Information in order to assist us with providing services to you. Unrelated third parties may include broker/dealers, mutual fund companies, insurance companies, and the custodian with which your assets are held. In such situations, Peter Pesic & Co. Advisors stresses the confidential nature of information being shared.

**Former Customers.** Even if Peter Pesic & Co. Advisors ceases to provide you with financial products or services, our Privacy Policy will continue to apply to you and Peter Pesic & Co. Advisors will continue to treat your nonpublic information with strict confidentiality.