

Item 1- Cover Page

Form ADV Part 2A: Firm Brochure

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This brochure provides information about the qualifications and business practices of Peak Capital Management LLC, hereinafter referred to throughout this brochure as “PCM”, “We”, “Us” and “Our”. If you have any questions about the contents of this brochure, please contact us at (719) 203-6926 and/or geoff@pcmstrategies.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Peak Capital Management also is available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s website also provides information about any persons affiliated with PCM who are registered, or are required to be registered, as investment advisor representatives of PCM. You can search this site by a unique identifying number, known as a CRD number. Our firm’s CRD number is 141488. PCM is a registered investment advisor. Registration as an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

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Disclosure Brochure

Item 2 - Material Changes

Item 2 discusses only specific material changes since the last annual update of the brochure. The last annual update of this brochure was September 2018.

Peak Capital Management LLC, hereinafter referred to throughout this brochure as “PCM”, “We”, “Us” and “Our”. Since our last annual amendment, PCM has made the following changes:

Item 4 – Advisory Business – Sub-advisory Services

- PCM no longer serves as a sub-advisor for Cavalier Funds Dynamic Growth Fund.
- Regulatory assets under management as of December 31, 2018 were \$336,916,434.27

Item 5 – Fees and Compensation

- PCM adjusted its billing method to arrears for clients whose assets are held at SEI Investments (“SEI”) versus in advance for client assets held at other custodians.
- Since PCM no longer serves as a sub-advisor for Cavalier Funds Dynamic Growth Fund, the Firm no longer receives compensation related to this sub-advisory service.

Item 12 – Brokerage Practices

- PCM has added SEI Investments (“SEI”) as a custodian.

Item 14 – Client Referrals and Other Compensation (Economic Benefit).

- PCM receives an economic benefit from compensation it collects from Geringer Group for providing marketing and administrative support services.
- PCM has also engaged solicitors.

Brochure Supplement

- PCM added a new investment adviser representative: John Geringer. PCM is not required to distribute the Brochure Supplement but it is available upon request.

Currently, our brochure may be requested by contacting Geoff Eliason, Chief Compliance Officer at (719) 203-6926 or geoff@pcmstrategies.com. Our brochure is also available on our website, www.pcmstrategies.com, free of charge.

Peak Capital Management, LLC
Disclosure Brochure

Item 3 - Table of Contents

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

Item 4 - Advisory Business

Business Background

Peak Capital Management (“PCM”) was formed in June 2007 as a Limited Liability Company (LLC) and is registered as an investment advisor with the Securities and Exchange Commission. Effective April 1, 2013, the principal owners are Brian D. Lockhart and Geoff Eliason.

PCM develops investment strategies designed to manage risk utilizing an absolute return philosophy. The basis of these strategies is to seek an investment return less dependent on the returns in the stock and fixed income markets, while seeking to reduce volatility.

Advisory Services

Investment Management

Advisory services are tailored to meet the individual needs of clients with the use of an Investment Objective Confirmation (“IOC”). PCM then classifies each client into a risk tolerance level of one of the following: *aggressive, moderately aggressive, moderate, moderately conservative, and conservative*. Client funds are aggregately invested into models appropriate to their specific risk tolerance. These models are diversified, multi-strategy equity and fixed income portfolios that are tactical in nature and hold combinations of individual stocks, exchange-traded funds (“ETFs”), and/or mutual funds.

Sub-Advisory Services

PCM’s knowledge in managing globally diversified portfolios primarily utilizing exchange-traded funds, individual stocks, and mutual funds enables other registered investment advisors to hire PCM to design and manage investment portfolios consisting of exchange-traded funds, individual stocks, and mutual funds and provide ongoing corresponding asset management services on a sub-advisory basis for a percentage of the portfolio’s assets. The advisors are responsible for gathering pertinent information from their clients about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account. The advisors then communicate the information to Peak Capital Management, while retaining the client as a direct relationship. In an advisory role, PCM is engaged by financial advisors and does not offer direct investment advice to the clients of other (third-party) advisors. PCM manages portfolios for third-party registered investment advisors pursuant to advisory agreements with the advisor. Terms of the services provided, the amount of and manner in which fees are to be charged, and other penalties or termination provisions are subject to negotiation between both advisors and are outlined in the final agreement.

PCM serves as a research provider for CMG Mutual Funds Mauldin Solutions Core Fund and Separate Accounts. PCM receives compensation from CMG as a research provider.

Financial Planning

As part of its service offerings, PCM offers financial planning with respect to estate, retirement, and tax plans. Clients are under no obligation to contract for a financial plan service in order to receive

Peak Capital Management, LLC
Disclosure Brochure

investment management, and may contract for financial planning without utilizing investment management services.

The initial financial planning engagement will include the following services:

- Review of the Client's personal and financial goals
- Net worth calculations and cash flow analysis
- Projection and estimation of federal and state income taxes
- Estate planning review
- Retirement income planning
- Investment portfolio evaluation and recommendations
- Education and succession planning, where appropriate

PCM does not require the prepayment of more than \$1,200 more than 6 months in advance.

Tailored Services

We offer individualized investment advice to every client based upon their specific circumstances, including investment objectives, financial goals and risk tolerance. Clients may impose restrictions on investing in certain securities or types of securities by providing in writing, and within 30 calendar days of advance notice, specific restrictions they wish to impose.

Participation in Wrap Fee Program

We do not participate in a wrap fee program.

Regulatory Assets Under Management

As of December 31, 2018, PCM's regulatory assets under *management* for 350 accounts totaled:

Client Discretionary Managed Accounts:	\$ 242,263,409
Client Non-Discretionary Managed Accounts:	\$ _____0
Total:	\$ 242,263,409

Assets Under Advisement

Assets under advisement refer to assets on which our firm provides advice or consultation but for which we either do not have discretionary authority or do not arrange or effectuate the transaction. Such services could include financial planning or other consulting services where the assets are used for the informational purpose of gaining a full perspective of the client's financial situation, but we do not actually place the trade.

Assets under advisement could also be those that we monitor for a client on a non-discretionary basis, where we may make recommendations but where the client is the party responsible for arranging or effecting the purchase or sale. A common example of this scenario is when we review a participant's 401(k) allocations. If we do not have the authority or ability to effect changes in the

Peak Capital Management, LLC
Disclosure Brochure

portfolio, these assets are likely considered assets under advisement rather than regulatory assets under management.

Assets under advisement are permitted to be disclosed in our Brochure as a separate asset figure from the *assets under management*. There is no requirement to disclose the assets under advisement figure, but we have opted to include the figure to give prospective clients a more complete picture of the firm's responsibilities.

The Firm had \$112,213,049.11 in assets under *advisement* for 7 accounts.

Item 5 - Fees and Compensation

Advisory Fees

The specific manner in which fees are charged by PCM is established in each client's written *Investment Management and Fee Agreement* with PCM, which continues in effect until terminated in writing by either party, without penalty. PCM does not require the prepayment of more than \$1,200 more than 6 months in advance. All fees are subject to negotiation. PCM's basic fees structure for advisory services are as follows.

Investment Management Fee Schedule

<u>Assets Under Management (AUM)</u>	<u>Annual Percentage of Assets Charge</u>
First \$3,000,000	1.00%
\$3,000,001 - \$20,000,000	0.75%
\$20,000,001 & Above	0.60%

Generally speaking, PCM is compensated for its services with an asset-based fee, paid quarterly *in advance*. In order to effectively execute its investment strategies PCM requires a minimum investment of \$1,000,000. In certain situations, PCM may waive this minimum. PCM may honor previously agreed upon fee schedules with existing clients.

For clients whose assets are held at SEI, PCM is compensated for its services with an asset-based fee, paid quarterly *in arrears*.

Sub-Advisory Services

PCM is compensated via third-party investment advisors as a portion of a percentage of assets under management (AUM) paid by their client for sub-advisory services. Fees paid to PCM by other advisors are generally 35 basis points ongoing, but can go up to 55 basis points with certain strategies. All fees PCM receives from third-party advisors and the written separate disclosures made to clients regarding these fees are designed to comply with applicable federal and state statutes, rules, legislation and law. It is the responsibility of the third-party advisor to provide their clients with the required written disclosures, including a copy of their Form ADV Part 2 and privacy policy.

PCM serves as a research provider for CMG Mutual Funds Mauldin Solutions Core and Separate Accounts.

Peak Capital Management, LLC
Disclosure Brochure

Financial Planning

The fees for financial planning are billed under a flat rate based on the extent and nature of the plan. Typically, fees for financial planning range from \$500 to \$15,000 based on the complexity of the services to be rendered and/or written financial plan. These services are provided under a separate agreement outlining the scope of the services, fees agreed upon and terms/conditions. PCM does not require the prepayment of more than \$1,200 more than 6 months in advance.

How Fees are Paid

Investment Management

On a quarterly basis, each household's assets are measured relative to the fee schedule. Quarterly fees will be calculated and applied each quarter based on the household balance. For clients whose assets are held at Charles Schwab, fees are automatically deducted from account balances on the first business day of each quarter, billed in advance, based on the assets under management on the last trading day of the prior quarter per written authorization in the Investment Management and Fee Agreement. Fees are calculated by multiplying the Client's account value as of the last day of the previous quarter by the Annual Fee Percentage stated on the Investment Management Agreement, divided by 4.

For clients whose assets are held at SEI, fees are automatically deducted from account balances on the last business day of each quarter, billed in arrears, based on the assets under management on the last trading day of the current quarter per written authorization in the Investment Management and Fee Agreement. Fees for these clients are calculated by multiplying the Client's account value as of the last day of the current quarter by the Annual Fee Percentage stated on the Investment Management Agreement, divided by 4.

For assets held outside the custodian, cost basis (unless 3rd party valuation is available) is used as the account value multiplied by the annual fee percentage divided by 4.

PCMs clients receive itemization of fees paid via the custodian-provided statements. Clients also receive, at least quarterly, statements from the custodian showing all disbursements and advisory fees.

PCM reserves the right to negotiate fees different than its basic fee structure. Negotiated fees for new clients may only be offered to Client or Employee family members or members of certain affinity groups. Some fees may differ from (but may not exceed) those shown in the published Fee Schedule for Clients whose fees were negotiated prior to the effective date of the schedule.

Sub-Advisory Services

Fees for sub-advisory services are on a case-by-case basis and are specifically outlined in the Sub-Advisory Agreement between PCM and the third-party investment advisor. Typically, fees are billed quarterly in advance.

As PCM receives compensation from CMG Mutual Funds for separate accounts held on the Adhesion Platform, PCM does not accept compensation from CMG for PCM clients that are invested in the Mauldin Solutions Core Separate Account on the Adhesion Platform.

Peak Capital Management, LLC
Disclosure Brochure

Financial Planning

This fee will be payable, in full, when the Client receives the final version of their financial plan.

Other Fees/Expenses

PCM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment advisors and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs also charge internal management fees, which are disclosed in each funds' prospectus/disclosure document. Such charges, fees and commissions are exclusive of and in addition to PCM's fee, and PCM shall not receive any portion of these commissions, fees, and costs.

Advice offered by PCM may involve investment in mutual funds. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees, named after the statutory section authorizing such payments. These 12b-1 fees may be paid to the account custodian but are never transmitted to PCM. Recommendations made by PCM and its' Investment Advisor Representatives (IARs) are designed to be consistent with the best interest of the client.

Item 12 further describes the factors that PCM considers in selecting or recommending custodians for client transactions and determining the reasonableness of their compensation (*e.g.*, transaction costs).

Termination

Investment Management

PCM will refund to the client any unearned fees within five (5) business days of receipt, in writing, the desire to terminate the *Investment Management and Fee Agreement*. Fees will be determined on a prorated basis. Where the client has not received PCM's form ADV Part 2 at least 48 hours prior to engagement, the client may terminate the *Investment Management and Fee Agreement* without penalty within five (5) business days of signing the Agreement. Business days do not include federally recognized holidays.

Sub-Advisory Services

PCM will refund to the third-party advisors any unearned fees upon the termination of the Sub-Advisory Agreement, given thirty (30) days written notice. Fees will be determined and refunded on a prorated basis

Financial Planning

Where the client has not received PCM's brochure at least 48 hours prior to engagement, the client may terminate the financial planning agreement within five business days of the date of acceptance without penalty to the client. After the five (5) day period, the financial planning agreement may be terminated in writing before the completion of the plan. The fee will be determined by the percentage of the plan that has been completed.

Commissionable Securities Sales

We do not sell securities for a commission.

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

PCM does not charge any performance-based fees.

Item 7 - Types of Clients

Type of Clients

PCM provides portfolio management services to individuals, high net worth individuals, pension and profit sharing plans, charitable institutions, foundations, endowments, trust programs, third-party investment advisors and corporations and other business.

Account Minimums

In order to effectively execute its investment strategies, PCM requires a minimum investment of \$1,000,000. In certain situations, PCM may waive the investment minimum.

Pension & Retirement Plans

The following shall apply if the managed account(s) is for (1) a pension or other qualified employee benefit plan, including a 401K plan, governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (2) a tax-qualified retirement plan under section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and not covered by ERISA; or (3) an Individual Retirement Account ("IRA") under section 408 of the Code.

The client represents that PCM, as applicable, has been furnished complete copies of all documents that establish and govern the plan and evidencing client's authority to retain PCM. The client shall promptly furnish to PCM any amendments to the plan, and the client agrees that, if any amendment affects the rights of obligations of PCM, such amendment will be binding on PCM only when agreed to by PCM in writing.

The client agrees to maintain appropriate ERISA bonding for the managed account(s) and to include within the coverage of the bond PCM and their personnel and representatives as may be required by law. If the client is a pension or other qualified plan subject to ERISA, the client appoints PCM or the Portfolio Manager(s), and the Portfolio Manager(s) accept the appointment of the "Investment Manager" for the purposes of ERISA, and the Code. The Portfolio Manager(s) acknowledges that their firm is a "fiduciary" within the meaning of Section 3(21) of ERISA and Section 4975(E) (3) of the Code (but only with respect to the provision of services normally associated with a Portfolio Manager(s)).

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

Methods of Analysis

PCM's securities analysis methods include charting, fundamental, technical and cyclical analyses (defined below). Investing in securities involves risk of loss that clients should be prepared to bear.

- Charting – analysis performed using patterns to identify current trend reversals to forecast the direction of prices;
- Fundamental – analysis performed on historical and present data, with the goal of making financial forecasts;
- Technical – analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices; and,
- Cyclical – analysis performed on historical relationships between price and market trends.

PCM's advisory services are designed to build long-term wealth, while maintaining risk tolerance levels acceptable to clients. PCM combines investment objectives, time horizon and risk tolerance to yield an effective investment allocation strategy and then matches the strategy with our investment programs. Our program investments are typically made in open-end mutual funds, ETF's, closed-end funds, individual equities, options and individual bonds.

In analyzing and executing our various programs' strategies, we use a technical approach to guide our buy/sell decisions within our allocation process. Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend lines, among others.

Investment Models

We are not bound to a specific investment strategy or ideology for the management of investment portfolios except for how such strategy might affect the pre-designed risk tolerance levels. Each strategy may use cash as a position, if volatility exceeds a certain threshold. There are no guarantees that any strategy will achieve its' stated objectives.

PCM's investment strategies incorporate the following methodologies:

Dynamic Risk Hedged - U.S. Growth

The strategies primary objective is long-term growth of capital. Generally, the strategy will allocate capital to U.S. equities and Treasuries based on a risk budget. Roughly 95% of total portfolio risk is allocated evenly to five U.S. equity factors - momentum, value, size, quality and volatility. Roughly 5% of total portfolio risk is allocated to U.S. Treasuries. The strategy dynamically allocates as the correlations and volatilities of the underlying exposures changes over time. Under certain scenarios, if equities and Treasuries become highly correlated, the strategy can use a short position to the S&P 500 as a source of uncorrelated risk.

Dynamic Risk Hedged - Global Growth

The strategies primary objective is long-term growth of capital. Generally, the strategy will allocate capital to global equities and U.S. Treasuries based on a risk budget. Roughly 95% of total portfolio risk is allocated evenly to five U.S. equity factors - momentum, value, size, quality and volatility, and geographic regions outside the United States. Roughly 5% of total portfolio risk is allocated to U.S. Treasuries. The strategy dynamically allocates as the correlations and volatilities of the underlying exposures changes over time. Under certain scenarios, if equities and U.S. Treasuries become highly correlated, the strategy can use a short position to the S&P 500 as a source of uncorrelated risk.

Dynamic Risk Hedged - Income

The strategies primary objective is income generation. Generally, the strategy will allocate capital to traditional and non-traditional assets that provide current income. Total portfolio risk is roughly equally allocated to investment grade bonds, REITs, preferred stocks, high-yield bonds and dividend-paying stocks. The strategy dynamically allocates across the assets as correlations and volatilities change. Under certain conditions, if correlations rise, the strategy can use a short position to U.S. Treasuries as a source of uncorrelated risk.

Dynamic Risk Hedged - Balanced Income

The strategies primary objective is income generation with capital appreciation as a secondary objective. Generally, the strategy will allocate capital to assets that provide current yield. Total portfolio risk is equally allocated to dividend-paying stocks, REITs, and high-yield bonds. The strategy dynamically allocates across assets as correlations and volatilities change. Under certain conditions, if correlations rise, the strategy can use a short position to the S&P 500 as a source of uncorrelated risk.

Income Opportunity

The strategies seek current and consistent income with the potential for capital appreciation through tactical positioning across a diverse group of mainly passively managed fixed income-based ETFs. The strategy seeks to manage credit and interest risk(s) while also attempting to protect against inflation using both fundamental and technical indicators. The model has the freedom to incorporate small allocations to gold and U.S. currency-based ETFs to accomplish its hedging objectives.

Dividend Equity

This non-diversified strategy seeks maximum capital appreciation from the equity markets by investing 100% in individual stocks believed to offer a risk/return relationship more attractive than the overall market. Risk is managed by utilizing cash during periods of high market volatility.

PCM Tax Lien Fund

The PCM Tax Lien Fund gives investors access to tax liens but is closed to new investors as of March/April 2017. An asset class that is typically only available to large institutions and high net worth clients is now available for accredited investors who seek income and non-correlated total returns. Tax liens within the fund have high, established yields and are purchased in states where the rule of law favors investors.

Brian Lockhart served as executive producer of a motion picture named the Christmas Candle. Certain advisory clients may be investors in PCM Tax Lien Fund, the motion picture and/or engage PCM for services.

Recommending Securities

PCM, in certain situations may recommend investments in selected private equity, hedge funds and/or commodity pools. These types of investments may present unique risks due to the use of leverage and potential lack of liquidity. In addition, such recommendations may be limited only to those clients that are termed as “Accredited Investors” as defined in Rule 205-3 of the Investment Advisors Act of 1940. These types of investments also have varied and unique fee structures of their own. In the event PCM receives a portion of the fee charged from a third-party manager, the value of a client’s assets invested with that manager would be deducted from the asset, based upon which PCM’s fees are calculated and billed. Due to the unique and complex nature of these investments, clients will receive a separate disclosure prior to any investments being made.

The universe of mutual funds available to PCM is limited as a result of trading restrictions placed by many mutual fund companies, which discourage active trading. Due to these restrictions, PCM often utilizes mutual fund companies that are designed for active trading. Due to the nature of the mutual fund marketplace the time to confirm a trade and place correcting trades can often be in excess of 24 hours. Therefore, PCM has adopted a Trade Error Policy to take measures as warranted or necessary, with respect to each client account, to assure that trading errors with respect to an account are identified, analyzed and resolved in a timely basis and in a manner fair and equitable with respect to a client’s interests. Included in this policy are trading errors identified as a result of a mutual fund trade where correcting actions have been made within a three (3) day period, beginning with the initial trading error. For those correcting actions, PCM shall have no further liability of responsibility for financial compensation. Further, to the extent any detriment to the client, as a result of a trading error, is the fault of other parties, such as custodians or brokers, the Advisor will contact them and as may be appropriate, seek to recover compensation of behalf of the client.

Item 9 - Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that are material to your evaluation of PCM or the integrity of PCM’s management. As of March 2017, there are no material legal or disciplinary events to report at this time that are material to your evaluation of our advisory business.

Item 10 - Other Financial Industry Activities and Affiliations

Broker-Dealer Registration

Neither our firm nor management persons are registered or have a pending registration with a broker-dealer.

Futures Commission Merchant/Commodities

Neither our firm nor any of its management persons is a commodity broker/futures commission merchant, a commodity pool operator, commodity trading advisor or an associated person for the foregoing entities or has an application for registration pending.

Relationships with Related Persons

Our firm is the General Partner and manager of PCM Tax Lien Fund, LP (“Fund”), a private fund that invests in tax liens. The Fund may be offered to advisory clients; however, they are under no obligation to participate. Services offered through this fund are independent of our investment advisory services and are governed under a separate engagement agreement.

Item 4 of this Brochure, as well as the Fund’s Offering Memorandum contains information and disclosure relative to the Fund. Mr. Lockhart and Mr. Eliason spend 10% or less of their time with this business activity.

Relationships with Other Advisors

PCM does not recommend or select other investment advisors for clients.

Item 11 - Code of Ethics

Description of Code of Ethics

The principal and employees of PCM are allowed to maintain outside securities accounts or participate in PCM programs and therefore may buy or sell securities that PCM is recommending to its clients. In order to monitor such investments PCM has adopted a Code of Ethics to set ethical standards for employees of PCM. Employees of PCM who have access to non-public information regarding clients’ purchases or sales of securities, are involved in making securities recommendations to clients or who have access to such recommendations that are non-public are considered “access persons”. Access persons are required to report transactions and holdings for non-exempt investments held outside of a PCM program. Purchases of non-exempt securities and private placements require pre-approval and purchases of initial public offerings are prohibited. In all capacities, the principals of PCM will act in the best interests of their clients.

Participation or Interest in Client Transactions

Our firm and/or a supervised person may recommend to clients, and buy or sell for client accounts, securities in which our firm or a related person has a material financial interest. For example, clients may be solicited to invest in the PCM Tax Lien Fund, LP, a private fund for which the firm serves as the General Partner or in other similar investments that create a conflict of interest. In order to eliminate or mitigate the risk to you associated with this conflict, all such transactions must be submitted to our Chief Compliance Officer for review and approval in advance. Please see **Item 10** for information.

Personal Trading by Associated Persons

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with PCM's obligation of best execution. In such circumstances, the advisory affiliate and client accounts will share commission costs equally and receive securities at a total average price. PCM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Peak Capital Management, LLC
Disclosure Brochure

PCM has a fiduciary duty to ensure that your welfare is not subordinated to any interests of our or any of our personnel. Therefore, it is against our policies for any of our employees or supervised persons to invest with you or with a group of clients. Likewise, it is against our policies for any of our employees or supervised persons to advise you or a group of clients to invest in any private business interest or other non-marketable investments without prior written consent of our Chief Compliance Officer.

Conflicts of Interest with Personal Trading by Associated Persons

The Code of Ethics includes provisions reminding employees of their obligations to clients including being objective, disclosing conflicts of interest, confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at PCM must acknowledge the terms of the Code of Ethics annually, or as amended.

PCM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Geoff Eliason at geoff@pcmstrategies.com.

Item 12 - Brokerage Practices

Selecting or Recommending Broker-Dealers

PCM recommends Schwab Advisor Services ("Schwab") or SEI Investment Company ("SEI") as custodians to its clients for execution. No client is obligated to use these custodian for execution of services; however, if a client designates the use of a custodian other than a recommended custodian, PCM retains the right to decline to enter into a relationship with the client if PCM believes that the use of the designated trust company or custodian would inhibit PCM's ability to provide asset management to the client. In directing PCM to use a particular custodian or trust company, the client should recognize that PCM will not have the ability to guarantee best execution. In addition, under these circumstances, a disparity in fee charges (if any) may exist between the fees and commissions charged to other clients.

PCM recommends Schwab and SEI as they provide execution services and access to securities and funds that complement the investment strategies of PCM. In addition, Schwab and SEI provide confirmation of transactions and statements, not less than quarterly, which includes all transactions in the client's account. Performance reporting is conducted by Orion, utilizing daily downloads of transactions from Schwab or SEI.

Clients utilizing Schwab or SEI as custodian for their accounts may pay transaction fees charged by the custodian that are fair and reasonable when compared to similar custodians. However, there can be no assurance that the fees charged by either of these custodians are the lowest available in the marketplace.

PCM receives no compensation from Schwab or SEI based on its recommendation(s). However, in certain circumstances PCM may recommend mutual fund investments, which have agreed to pay the custodian a service fee. Such recommendations will only be made if PCM believes it is in the clients' best interest, and PCM never receives any portion of those fees.

The Custodians and Brokers We Use

PCM does not maintain custody of your assets that we manage (although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see [Item 15 Custody](#)). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (“Schwab”) or SEI as their qualified custodian.

Charles Schwab & Co., Inc. and SEI are broker-dealers registered with the Securities and Exchange Commission (“SEC”), Financial Industry Regulatory Authority (“FINRA”) and members of the Securities Investor Protection Corporation (“SIPC”). PCM is independently owned and operated and not affiliated with Schwab or SEI. Schwab or SEI will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab or SEI as custodian/broker, you will decide whether to do so and open your account with Schwab or SEI by entering into an account agreement directly with them. We do not open the account for you. If you do not wish to place your assets with Schwab or SEI, then we likely cannot manage your account. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor.

How We Select Brokers/Custodians

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for your account);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.);
- availability of investment research and tools that assist us in making investment decisions; quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- their prior service to us and our other clients and
- availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us from the Custodians we Recommend”).

Your Custody and Brokerage Costs

For clients’ accounts, the Custodians we recommend generally do not charge you separately for custody services but instead are compensated by charging you commissions or other fees on trades that it executes or that settle into your account with them. These custodians’ commission rates and asset-based fees applicable to our client accounts were negotiated based on our commitment to maintain a minimum amount of our clients’ assets equity in accounts at the Custodian. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be if we had not made the commitment.

Products and Services Available to Us from Schwab and SEI

Schwab Advisor Services (formerly named “Schwab Institutional”) is Schwab’s business serving registered investment advisor firms, like PCM. They provide PCM and its clients with access to institutional brokerage/trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients’ assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, it may charge us quarterly service fees.

Like Schwab, SEI also serves registered investment advisor firms, like PCM by providing us and our clients with access to institutional brokerage/trading, custody, reporting and related services – many of which are not typically available to SEI’s retail customers. SEI also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. SEI’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. SEI may charge us quarterly service fees.

SEI offers us the SEI Wealth Platform—an innovative technology platform that provides us with sophisticated and comprehensive capabilities to help us manage or administer our clients’ accounts and offers integrated custodian services using SEI Private Trust Company.

Services that Benefit You

Schwab’s institutional brokerage services and the SEI Wealth Platform include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through these custodians include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

Services that May Not Directly Benefit You

Schwab and SEI also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both the custodians’ own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at Schwab or SEI. In addition to investment research, Schwab and SEI also makes available software and other technology that:

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

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Services that Generally Benefit Only Us

Schwab and SEI also offer other services intended to help us manage and further develop our business enterprise. These services may include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab or SEI may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. These custodians may also discount or waive their fees for some of these services or pay all or a part of a third-party's fees. They may also provide us with other benefits such as occasional business entertainment of our personnel.

Our Interest in Schwab's and SEI's Services

The availability of these services from the custodians we recommend benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's or SEI's services, except that Schwab may charge us a quarterly fee if we do not maintain a \$10 million minimum total of client assets in accounts at the Schwab. An asset minimum could give us an incentive to recommend that you maintain your account with a particular custodian based on our interest in receiving their services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab or SEI as custodians and brokers is in the best interests of our clients based on many factors described herein. Our decision is primarily supported by the scope, quality and price of Schwab's and SEI's services (based on the factors discussed above – see "How We Select Brokers/Custodians" and not on Schwab's or SEI's services that benefit only us. We have in excess of \$200 million in client assets under management and, therefore, do not believe that maintaining a minimum amount of those assets at these custodians in order to avoid paying quarterly service fees presents a material conflict of interest.

From time to time, PCM receives sponsorship fees or other payments to offset the expenses of educational conferences and events from certain fund companies, including fund companies that it recommends to advisory clients. The fund companies offer these services to help us manage and further develop our business enterprise. This creates a potential conflict of interest for PCM. A list of such fund company sponsors is available by calling the telephone number listed on the cover page of this document.

Research and Other Soft Dollar Benefits

Although the investment research products and services that may be obtained by our firm will generally be used to service all of our clients, our firm does not accept products or services that do not qualify for Safe Harbor outlined in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution.

On occasion, PCM places trades with investment companies who may provide research or education that can be used in developing investment strategies.

Brokerage for Client Referrals

PCM does not receive brokerage commissions or transaction fees for client referrals.

Directed Brokerage

PCM permits clients to direct brokerage; however, this may result in our inability to achieve the most favorable execution for client transactions. Client directed brokerage might cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices.

Aggregation of Orders

PCM will process block trades of securities in multiple client accounts where possible and when advantageous to the client. Block trading of assets from multiple client accounts may decrease costs and allows PCM to execute trades in a timely manner. The objective is to allocate the executions in a manner that is deemed equitable to the accounts involved. In addition, following the completion of a block trade, the transaction costs are shared equally amongst all client accounts included in the block trade.

Item 13 - Review of Accounts

Brian D. Lockhart, Chief Investment Officer, Geoff Eliason, Chief Compliance Officer, and Clint Pekrul, Head of Research are responsible for the formulation and implementation of investment strategies. As a result, they review accounts on a regular and continuous basis, including the confirmation of executed transactions. Each individual account is reviewed no less than quarterly as to its' position in relation to the overall strategy. PCM has formed an investment committee that will meet quarterly and its members include: Brian Lockhart, CFP®, Geoff Eliason, CFP®, Clint Pekrul, and Dan Bauer.

In addition, significant deposits and/or withdrawals of assets from accounts will trigger a review to confirm the security weightings within the overall strategy. At least annually, each client's financial position is reviewed to ensure that the investment strategy being pursued is accurate.

PCM will only deal with custodians that provide client statements, no less than quarterly and provide a complete transaction history during the reporting period, including all deposits withdrawals, purchases and sales. Regular meetings and consultations with clients, in person or by telephone may be held as needed.

Item 14 - Client Referrals and Other Compensation

Economic Benefits

Other than described in [Item 12](#), PCM does not receive any additional economic benefits.

Client Referrals

In accordance with SEC 206-4-3 Advisor's Act, PCM may pay a solicitor fee, at a rate to be negotiated, to registered broker-dealers, investment advisors or sales representatives in accordance with the terms of a written Solicitor Agreement and after execution of a written

Peak Capital Management, LLC
Disclosure Brochure

Solicitor Disclosure Statement by each client of such persons. The solicitor fees paid by PCM are done so from the investment advisory fee paid by the client. The payment of a solicitor fee will not increase the investment advisory fee paid by the client, nor will the absence of paying a solicitor fee decrease the investment advisory fee paid by the client. Solicitors are only authorized to work with potential clients in an impersonal fashion.

Item 15 - Custody

As manager of PCM Tax Lien Fund, LP, PCM is deemed to have custody of the cash and securities held by this Fund. In compliance with SEC Rule 206(4)-2(b)(4)(i), the Fund sends an audited financial statement, audited by a registered Public Company Accounting Oversight Board (“PCAOB”) accountant, to each Fund investor within 120 days of the Fund’s fiscal year end. By ensuing these steps are followed, PCM’s annual surprise examination requirement is satisfied.

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client’s investment assets. PCM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 - Investment Discretion

Generally, clients provide written authorization to PCM and its advisory representatives to grant discretionary authority over the securities and the amount of securities bought or sold on the client’s behalf. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment guidelines and restrictions must be provided to PCM in writing. PCM and/or its representatives may buy or sell securities for itself that it also recommends to its advisory clients.

Item 17 - Voting Client Securities

As a matter of firm policy and practice, PCM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Any ownership communications will be forwarded to the client for review and/or voting. PCM may provide advice to clients regarding the clients’ voting of proxies.

Item 18 - Financial Information

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about PCM’s financial condition. PCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

PCM is not required to include financial information in our Disclosure Brochure since we will not take custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.00.

END OF BROCHURE