

Profusion Financial, Inc. d/b/a Profusion Financial Firm Brochure - Form ADV Part 2A

This brochure provides information about the qualifications and business practices of Profusion Financial, Inc. If you have any questions about the contents of this brochure, please contact us at Phone: (314) 441-6107 or by email at: info@profusion-financial.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 Profusion Financial, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. Profusion Financial, Inc.'s CRD number is: 167003

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Registration does not imply a certain level of skill or training.

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Item 2: Material Changes

The material changes in this brochure from the last annual updating amendment of Profusion Financial, Inc. on 03/14/2024 are described below. Material changes relate to Profusion Financial, Inc's policies, practices or conflicts of interests.

- Profusion Financial, Inc. has updated its Assets Under Management. (Item 4)

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Item 4: Advisory Business

A. Description of the Advisory Firm

Profusion Financial, Inc. is a corporation organized in the state of Missouri.

The firm was formed in March of 2013, and the principal owner is Derrick Evan Frost.

B. Types of Advisory Services

Profusion Financial, Inc. (hereinafter "PFF") offers the following services to advisory clients:

Investment Supervisory Services

PFF offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. PFF creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

PFF evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. PFF may request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Financial Planning

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; Medicaid planning; and debit/credit planning. These services are based on fixed fees or hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

Written Acknowledgement of Fiduciary Status

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

Services Limited to Specific Types of Investments

PFF generally limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income (including structured notes), debt securities, ETFs (including leveraged ETFs), real estate, hedge funds, REITs, insurance products including annuities, private placements, and government securities. PFF may use other securities as well to help diversify a portfolio when applicable.

C. Client Tailored Services and Client Imposed Restrictions

PFF offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent PFF from properly servicing the client account, or if the restrictions would require PFF to deviate from its standard suite of services, PFF reserves the right to end the relationship.

D. Wrap Fee Programs

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. PFF does not participate in any wrap fee programs.

E. Amounts Under Management/ Assets Under Advisement

PFF has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$100,180,000	\$24,750,000	November 2024

PFF has the following assets under advisement:

Amounts:	Date Calculated:
\$124,930,000	November 2024

Item 5: Fees and Compensation

Lower fees for comparable services may be available from other sources.

A. Fee Schedule

For all fees being withdrawn directly from client accounts, PFF will send a statement to the client showing the amount of the fee being deducted, the value of the client's assets upon which this fee was based, and the specific manner in which the fee was calculated. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not do so, and client should review every statement. PFF will calculate its fee based on the beginning balance in the client account at the start of the quarter, and will be prorated by inflows and outflows in the account during the prior quarter.

Investment Supervisory Services Fees

Fee Schedule for Separately Managed Accounts

Total Assets Under Management	Annual Fee
First \$249,999	1.75%
\$250,000 - \$499,999	1.50%
\$500,000 - \$999,999	1.25%
\$1,000,000 - \$1,999,999	1.00%
\$2,000,000 - \$2,999,999	0.95%
\$3,000,000 - \$3,999,999	0.90%
\$4,000,000 - \$4,999,999	0.85%
\$5,000,000 - \$5,999,999	0.80%
\$6,000,000 - \$6,999,999	0.75%
\$7,000,000 - \$7,999,999	0.70%
\$8,000,000 - \$8,999,999	0.65%
\$9,000,000 - \$9,999,999	0.60%
\$10,000,000 and up	0.55%

Fee Schedule for Managing 529 Accounts

Total Household Assets Under Management	Annual Fee
All Accounts	0.50%

Fee Schedule for Outside Assets (401ks, Limited Partnerships, Real Estate, etc.)

Total Assets	Annual Fee
All Accounts	Same as asset management fee

These fees are negotiable depending upon the needs of the client and complexity of the situation, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid quarterly in advance, and clients may terminate their contracts with thirty days' written notice. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Fees that are collected in advance will be refunded based on the prorated amount of work completed up to the day of termination within the quarter terminated. The fee refunded will be the balance of the fees collected in advance minus the daily rate* times the number of days in the quarter up to and including the day of termination. (*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter). Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract.

Performance-Based Portfolio Management Fees

Performance-based portfolio management fees are charged to the Profusion Private Asset Fund, a Qualified Client. The performance fee is contingent upon returns for the private fund exceeding a certain threshold; this is known as a “hurdle rate” or “preferred return”. Specifically, performance fees are only assessed on returns (capital appreciation, including dividends and interest) greater than 8% per year. Above the preferred return, 20% of the capital appreciation is paid to the fund management company. If the portfolio drops in value, then the fund will not incur a new performance fee until the portfolio reaches the last highest value, adjusted for withdrawals and deposits, which is generally known as a “high water mark.”

PFF shares in this performance fee with the management company in the form of B shares in the fund, and is also paid a 1.00% asset management fee, paid quarterly in advance, but paid by the fund management company from its revenue, not from the fund assets.

In general, a “Qualified Client” is:

- (1) a natural person or company who at the time of entering into such agreement has at least \$1,000,000 under the management of the investment adviser;
- (2) a natural person or company who the adviser reasonably believes at the time of entering into the contract: (A) has a net worth of jointly with his or her spouse of more than \$2,100,000 excluding the value of the client’s primary residence; or (B) is a qualified purchaser as defined in the Investment Company Act of 1940, §2(a)(51)(A) (15 U.S.C. 80a-2(51)(A)); or
- (3) a natural person who at the time of entering into the contract is: (A) An executive officer, director, trustee, general partner, or person serving in similar capacity of the investment adviser; or (B) An employee of the investment adviser (other than an employee performing solely clerical, secretarial, or administrative functions with regard to the investment adviser), who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar function or duties for or on behalf of another company for at least 12 months.

Financial Planning Fees

Fixed Fees

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between \$1,000 and \$100,000. Fees are paid fifty percent in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

Fixed fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination.

B. Payment of Fees

Payment of Investment Supervisory Fees

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance.

Payment of Performance-Based Fees

Performance-based fees are invoiced and billed directly to the qualified client. Fees are paid annually in arrears.

Payment of Financial Planning Fees

Fixed Financial Planning fees are paid via check fifty percent in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

C. Clients Are Responsible for Third Party Fees

Clients are responsible for the payment of all third-party fees (i.e., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by PFF. Please see Item 12 of this brochure regarding broker/custodian. PFF does not rebate transaction fees or transfer fees.

D. Prepayment of Fees

PFF collects fees in advance. Financial Planning fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Financial Planning Fees will be returned within fourteen days to the client via mailed check. Investment Supervisory fee that are collected in advance will be refunded based on the balance of the fees collected in advance minus the daily rate* times the number of days in the quarter up to and including the day of termination. (*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter). Investment Supervisory Fees will be deposited back into client's account within fourteen days.

E. Outside Compensation for the Sale of Securities to Clients

Neither PFF nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

PFF is advisor on accounts that are billed performance-based fees (a share of capital gains on or capital appreciation of the assets of a client) as well as accounts that are NOT billed on performance-based fees. Advising both kinds of accounts at the same time presents a conflict of interest because PFF or its supervised persons have an incentive to favor accounts for which PFF and its supervised persons receive a performance-based fee. PFF addresses the conflicts by ensuring that clients are not systematically advantaged or disadvantaged due to the presence or absence of performance-based fees. PFF seeks best execution and upholds its fiduciary duty for all clients.

Clients that are paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

Item 7: Types of Clients

PFF generally provides investment advice and/or management supervisory services to the following types of clients:

- ❖ High-Net-Worth Individuals
- ❖ Individuals
- ❖ Private funds

There is no account minimum.

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

A. Methods of Analysis and Investment Strategies

Methods of Analysis

PFF's methods of analysis include charting analysis, technical analysis, and cyclical analysis.

Charting analysis involves the use of patterns in performance charts. PFF uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

Technical analysis involves the analysis of past market data; primarily price and volume.

Cyclical analysis involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

Season Trend analysis involved the analysis of predicting the future movement of a stock based on passed data.

Investment Strategies

PFF uses long term trading, short term trading, short sales, margin transactions, and options writing (including covered options, uncovered options, purchasing or spreading strategies).

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

B. Material Risks Involved

Methods of Analysis

Charting analysis strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

Technical analysis attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these

patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

Investment Strategies

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

C. Risks of Specific Securities Utilized

PFF generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize short sales, margin transactions, and options writing. Short sales, margin transactions, and options writing generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

Equity investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

Fixed income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This includes corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile, and fixed income securities carry significant interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term

securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting, but these bonds still carry a risk of losing share price value. Risks of investing in foreign fixed income securities also include the general risks inherent in non-U.S. investing.

Real Estate funds face several kinds of risk that are inherent in this sector of the market. Liquidity risk, market risk and interest rate risk are just some of the factors that can influence the gain or loss that is passed on to the investor. Liquidity and market risk tend to have a greater effect on funds that are more growth-oriented, as the sale of appreciated properties depends upon market demand. Conversely, interest rate risk impacts the amount of dividend income that is paid by income-oriented funds.

Hedge Funds are not suitable for all investors and involve a high degree of risk due to several factors that may contribute to above average gains or significant losses. Such factors include leveraging or other speculative investment practices, commodity trading, complex tax structures, a lack of transparency in the underlying investments, and generally the absence of a secondary market.

REITs have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

Private placements carry a substantial risk as they are largely unregulated offerings not subject to securities laws.

Long term trading is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

Short term trading risks include liquidity, economic stability and inflation.

Short sales risks include the upward trend of the market and the infinite possibility of loss.

Margin transactions use leverage that is borrowed from a brokerage firm as collateral.

Options writing and purchasing involve a contract to purchase or sell a security at a given price, not necessarily at market value, depending on the market.

Exchange Traded Funds (ETFs) is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest, and the possibility of

inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

Leveraged Exchange Traded Funds (ETFs) provide additional risk, as any losses sustained will constitute a greater percentage of principal than if leverage had not been employed. Additionally, if losses occur, the value of the account may fall below the lender’s threshold thereby forcing the account holder to devote more assets to the account or sell assets on a shorter time frame than desired. Additional Leveraged ETFs carry the same risks as other ETFs described above.

Mutual Funds carry the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature or stock “equity” nature.

Structured notes are debt securities issued by financial institutions with performance linked to an underlying index or indices. Specifically, the return is typically based on a single equity, a basket of equities, equity indices, interest rates, commodities, or foreign currencies. The performance of a structured note is linked to the performance of the underlying investment, so risk factors applicable to that investment will also apply to the structure note. Investing in structured notes also carries liquidity risk, credit risk, and market risk. There is also the risk of capital loss and additional complexity beyond more direct investment in the underlying asset.

Cryptocurrency investing refers to trading in digital/virtual currencies, such as Bitcoin, that are not back by real assets or tangible securities and are more volatile than traditional currencies and financial assets. Digital currency is a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value, but it does not have legal tender status. Digital currency is not backed or supported by any government or central bank. Digital currency’s price is completely derived by market forces of supply and demand, traded between consenting parties with no broker and tracked on digital ledgers commonly known as blockchains. Investing in digital currency comes with significant risk of loss that a client should be prepared to bear and, due to the nature of cryptocurrencies, clients are exposed to the risks normally associated with investing but also unique risks not typical of investing in traditional securities. These, include, but are not limited to, volatile market price swings or flash crashes, market manipulation, economic, regulatory, technical, and cybersecurity risks. Please also see below for additional description/properties:

- **Unregulated** – Digital currency markets and exchanges are not regulated with the same controls or customer protections available in fixed income, equity, option, futures, or foreign exchange investing.

- Increased Price Volatility – The price of cryptocurrency is constantly fluctuating. Trade or balance can surge or drop suddenly. Price can drop to zero.
- Susceptible to Error/Hacking – Technical glitches, human error and hacking can occur, which typically do not affect traditional securities to the same extent.
- Forks – This implies a splitting of the chain on which the cryptocurrency runs, which makes it go in a different direction, with different rules than the existing blockchain.
 - Soft Fork – only a protocol change; the cryptocurrency still continues to work on the original blockchain rules.
 - Hard Fork – a permanent divergence in the blockchain.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Item 9: Disciplinary Information

A. Criminal or Civil Actions

There are no criminal or civil actions to report.

B. Administrative Proceedings

There are no administrative proceedings to report.

C. Self-regulatory Organization (SRO) Proceedings

There are no self-regulatory organization proceedings to report.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

Neither PFF nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither PFF nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

Derrick Evan Frost is a member of, and advisor to the Profusion Private Asset Fund, LLC, a private fund. Clients are solicited to invest in this fund. Clients should be aware that these services may involve a conflict of interest. PFF will recommend investments in this private fund to those clients for which investment in the fund is suitable. This presents a conflict of interest in that PFF or its related persons may receive more compensation from investment in the fund than from other investments. Nevertheless, PFF acts in the best interest of the client consistent with its fiduciary duties and clients are not required invest in the private fund if they do not wish to do so. PFF always acts in the best interest of the client and clients always have the right to decide whether or not to utilize the services of any representative of PFF in such individuals outside capacities. Derrick Frost is 5% owner of the private fund.

Derrick Evan Frost is a licensed insurance agent. From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. Profusion Financial, Inc. always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients always have the right to decide whether or not to utilize the services of any Profusion Financial, Inc. representative in such individuals outside capacities.

Sadie Elizabeth Pearl Swisher is a licensed insurance agent. From time to time, she will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. Profusion Financial, Inc. always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients always have the right to decide whether or not to utilize the services of any Profusion Financial, Inc. representative in such individuals outside capacities.

Michael Gingrich is a member of Profusion Private Asset Fund, LLC, a private fund. Profusion Financial, Inc will recommend investments in this private fund to those clients for which investment in the fund is suitable. This presents a conflict of interest in that Profusion Financial, Inc or its related persons may receive more compensation from investment in the fund than from other investments. Nevertheless, Profusion Financial, Inc acts in the best interest of the client consistent with its fiduciary duties and clients are not required invest in the private fund if they do not wish to do so.

D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections

PFF does not utilize nor select third-party investment advisers.

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

A. Code of Ethics

PFF has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

B. Recommendations Involving Material Financial Interests

PFF and its associated persons may have material financial interests in issuers of securities that PFF may recommend for purchase or sale by clients.

Derrick Evan Frost is a member of, and advisor to the Profusion Private Asset Fund, LLC, a private fund. Clients are solicited to invest in this fund. Clients should be aware that these services may involve a conflict of interest. PFF will recommend investments in this private fund to those clients for which investment in the fund is suitable. This presents a conflict of interest in that PFF or its related persons may receive more compensation from investment in the fund than from other investments. Nevertheless, PFF acts in the best interest of the client consistent with its fiduciary duties and clients are not required invest in the private fund if they do not wish to do so. PFF always acts in the best interest of the client and clients always have the right to decide whether or not to utilize the services of any representative of PFF in such individuals outside capacities.

Michael Gingrich is a member of Profusion Private Asset Fund, LLC, a private fund. Profusion Financial, Inc will recommend investments in this private fund to those clients for which investment in the fund is suitable. This presents a conflict of interest in that Profusion Financial, Inc or its related persons may receive more compensation from investment in the fund than from other investments. Nevertheless, Profusion Financial, Inc acts in the best interest of the client consistent with its fiduciary duties and clients are not required invest in the private fund if they do not wish to do so.

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of PFF may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of PFF to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. PFF will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, representatives of PFF may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of PFF to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. PFF will always transact client's transactions before its own when similar securities are being bought or sold.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers

The custodian, Schwab Institutional, a division of Charles Schwab & Co., Inc., (CRD # 5393), was chosen based on their relatively low transaction fees, name recognition, best execution, suitability to individual client needs, and access to mutual funds and ETFs. PFF will never charge a premium or commission on transactions, beyond the actual cost imposed by the custodian. PFF directs client to Charles Schwab and not all advisors' direct clients to a broker-dealer/custodian. Directing brokerage means you may be unable to achieve favorable execution of client transactions and may cost clients more money.

1. Research and Other Soft-Dollar Benefits

PFF receives no research, product, or services other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits").

2. Brokerage for Client Referrals

PFF receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. Clients Directing Which Broker/Dealer/Custodian to Use

PFF will require clients to use a specific broker-dealer to execute transactions.

B. Aggregating (Block) Trading for Multiple Client Accounts

PFF maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing PFF the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients. Clients may pay commissions higher than those obtainable from other brokers.

Item 13: Reviews of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed at least monthly only by Derrick Evan Frost, President. Derrick Evan Frost is the chief advisor and is instructed to review clients' accounts with regard to clients' respective investment policies and risk tolerance levels. All accounts at PFF are assigned to this reviewer.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Derrick Evan Frost, President. There is only one level of review and that is the total review conducted to create the financial plan.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

C. Content and Frequency of Regular Reports Provided to Clients

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

PFF does not receive any economic benefit, directly or indirectly from any third party for advice rendered to PFF clients.

B. Compensation to Non – Advisory Personnel for Client Referrals

PFF does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

Item 15: Custody

PFF, with client written authority, has limited custody of client's assets through direct fee deduction of PFF's fees only. If the client chooses to be billed directly by Schwab Institutional, a division of Charles Schwab & Co., Inc., (CRD # 5393), PFF would have constructive custody over that account and must have written authorization from the client to do so. PFF will send a copy of the client fee invoice to the client and to the custodian. The client should compare the invoice and the statement from the custodian for accuracy.

Item 16: Investment Discretion

For those client accounts where PFF will have investment discretion, the client has given PFF written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides PFF discretionary authority via a discretionary investment management clause in the Investment Advisory Contract and/or a limited power of attorney clause in the contract between the client and the custodian.

Clients may, but typically do not, impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs.

Item 17: Voting Client Securities (Proxy Voting)

PFF acknowledges its fiduciary obligation to vote proxies on behalf of those clients that have delegated to it, or for which it is deemed to have, proxy voting authority. PFF will vote proxies on behalf of a client solely in the best interest of the relevant client. PFF has established general guidelines for voting proxies. PFF may also abstain from voting if, based on factors such as

expense or difficulty of exercise, it determines that a client's interests are better served by abstaining. Further, because proxy proposals and individual company facts and circumstances may vary, PFF may vote in a manner that is contrary to the general guidelines if it believes that it would be in a client's best interest to do so. If a proxy proposal presents a conflict of interest between PFF and a client, then PFF will disclose the conflict of interest to the client prior to the proxy vote and, if participating in the vote, will vote in accordance with the client's wishes.

Clients may obtain a complete copy of the proxy voting policies and procedures by contacting PFF in writing and requesting such information. Each client may also request, by contacting PFF in writing, information concerning the manner in which proxy votes have been cast with respect to portfolio securities held by the relevant client during the prior annual period. Clients can send written requests to the Chief Compliance Officer at info@profusionfinancial.com.

Item 18: Financial Information

A. Balance Sheet

PFF does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither PFF nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

PFF has not been the subject of a bankruptcy petition in the last ten years.

Item 19: Requirements For State Registered Advisers

A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background

PFF currently has only one management person/executive officer; Derrick Evan Frost. Derrick Evan Frost's education and business background can be found on the Supplemental ADV Part 2B form.

B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)

Derrick Evan Frost's other business activities can be found on the Supplemental ADV Part 2B form.

C. How Performance-based Fees are Calculated and Degree of Risk to Clients

PFF accepts performance-based fees, fees based on a share of capital gains on or capital appreciation of the assets of a client.

Performance-based portfolio management fees are charged to the Profusion Private Asset Fund, a Qualified Client. The performance fee is contingent upon returns for the private fund exceeding a certain threshold; this is known as a "hurdle rate" or "preferred return". Specifically, performance fees are only assessed on returns (capital appreciation, including dividends and interest) greater than 8% per year. Above the preferred return, 20% of the capital appreciation is paid to the fund management company. If the portfolio drops in value, then the fund will not incur a new performance fee until the portfolio reaches the last highest value, adjusted for withdrawals and deposits, which is generally known as a "high water mark."

PFF shares in this performance fee with the management company in the form of B shares in the fund, and is also paid a 1.00% asset management fee, paid quarterly in advance, but paid by the fund management company from its revenue, not from the fund assets.

Performance-based portfolio management fees are also charged to certain Qualified clients based on option trading performance. This fee is 25% of realized gains on option trades on an annual basis.

In general, a "Qualified Client" is:

- (1) a natural person or company who at the time of entering into such agreement has at least \$1,000,000 under the management of the investment adviser;
- (2) a natural person or company who the adviser reasonably believes at the time of entering into the contract: (A) has a net worth of jointly with his or her spouse of more than \$2,100,000 excluding the value of the client's primary residence; or (B) is a qualified purchaser as defined in the Investment Company Act of 1940, §2(a)(51)(A) (15 U.S.C. 80a-2(51)(A)); or
- (3) a natural person who at the time of entering into the contract is: (A) An executive officer, director, trustee, general partner, or person serving in similar capacity of the investment adviser; or (B) An employee of the

investment adviser (other than an employee performing solely clerical, secretarial, or administrative functions with regard to the investment adviser), who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar function or duties for or on behalf of another company for at least 12 months.

D. Material Disciplinary Disclosures for Management Persons of this Firm

No management person at PFF or PFF has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

E. Material Relationships That Management Persons Have with Issuers of Securities (If Any)

Neither PFF, nor its management persons, has any relationship or arrangement with issuers of securities.