



## Part 2A of Form ADV “The Brochure”

December 6, 2024

This brochure (“Brochure”) provides information about the qualifications and business practices of Principal Street Partners, LLC (hereinafter, “Principal Street”, “PSP” or the “Firm”). To request a copy of our Brochure or if you have any additional questions about the contents of this Brochure, please contact Principal Street at 844-678-6900. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Additional information about PSP is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any of our affiliated persons who are registered, or are required to be registered, as investment adviser representatives of Adviser.

Principal Street Partners, LLC is an SEC registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## **Item 2. Material Changes**

Since our prior annual amendment, filed on March 31, 2024, Principal Street Partners (“PSP” or “Firm”) has moved its home office. As of September 2024, the address of PSP's main office is 999 S Shady Grove Road Suite 105 Memphis, TN 38120.

As there may be other non-material changes, PSP encourages you to read this brochure in its entirety.

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## **Item 4. Advisory Business**

Principal Street Partners, LLC, previously registered as Green Square Asset Management, LLC initially registered with the SEC on or about September 30, 2016. PSP is a limited liability company (“LLC”) registered under the laws of the state of Delaware. Our principal owner is Darrell Horn.

As of December 31, 2023, PSP has approximately \$2,874,836,957 in regulatory assets under management, of which \$1,609,157,462 was managed on a discretionary basis and \$1,265,679,495 on a non-discretionary basis on behalf of separately managed accounts and apooled investment vehicle (the “Private Fund”),

PSP offers portfolio management services (“*Services*”) to high net worth individuals, investment companies, pooled investment vehicles, and other investment advisors. Prior to engaging PSP to provide *Services*, clients must enter into one or more written agreements with PSP setting forth the terms and conditions under which PSP renders its services (collectively the “*Agreement*”).

Clients may impose reasonable restrictions regarding investing in certain securities or types of securities that will be held in their respective portfolios. PSP reserves the right not to accept or to terminate an account if PSP believes the restrictions imposed prohibit effective management of the account.

### **Investment Management Services**

PSP can manage clients’ investment portfolios on a discretionary or non- discretionary basis. The Firm provides these portfolio management services primarily (but not exclusively) by allocating clients’ investment assets among income producing strategies utilizing securities in the equity and fixed income markets.

### **Management of Collective Investment Vehicles and Services of Affiliates**

PSP acts as investment advisor to Joshua Tree Capital, L.P., (the “Joshua Tree Fund”). Joshua Tree Capital, L.P. is a Delaware limited partnership, which invests its assets in securities. PSP serves as the Investment Manager to the Joshua Tree Fund, and, as such, is solely responsible for the management of the Joshua Tree Fund. Investors in the Joshua Tree Fund are limited partners (the “Limited Partners”). PSP provides investment advisory services to the Joshua Tree Fund based on the investment objectives of the Joshua Tree Fund.

### **Bridge Loan Program**

Although PSP no longer offers a Bridge Loan Program (Program), a number of PSP clients remain invested in Bridge Loan products that were sourced by PSP. The goal of the Program was to offer practical and affordable lending solutions to companies that do not meet the conventional criteria required by banks, private equity firms or mezzanine lenders. By providing access to capital for smaller, under-served, earlier stage projects, PSP was able to source transactions that are often overlooked by traditional lenders. As a result, the Program was able to “bridge” the enterprise on both a timing and working capital basis to facilitate a long-term tax-exempt financing. PSP then worked closely with the borrower to ensure the tax-exempt take-out was successful. PSP’s bridge loan investors maintain the first right to purchase the tax-exempt bonds, once available.

In connection with Bridge Loans made by PSP on behalf of its advisory clients, PSP acts as the Bondholder Representative on some of the offerings, which includes monitoring borrowers on an ongoing basis and

advising borrowers in the event that borrowers run into financial difficulties. In such cases, PSP generally has special rights including, but not limited to, the ability to change the bond interest rate, reduce its redemption price, create an equal or priority lien or deprive any owner of a bond of the lien created by the trust indenture.

### **Fiduciary Responsibility for Retirement Accounts**

When PSP provides investment advice to a client regarding a retirement plan account or individual retirement account, PSP is a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act (ERISA) and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way PSP makes money creates some conflicts with client's interests, so PSP operates under a special rule that requires PSP to act in the best interest of the client and not put PSP's interest ahead of the client's interest.

Under this special rule's provisions, PSP must:

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

### **Item 5. Fees and Compensation**

PSP offers its services on a fee basis, which may include fixed fees, as well as fees based upon assets under management and in certain situations performance-based compensation.

#### **Investment Management Fees**

PSP provides investment management services for an annual fee based upon a percentage of assets under management. This fee also applies to sub-advisory services that Principal Street provides. PSP's annual fee is exclusive of brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. PSP does not, however, receive any portion of these commissions, fees, and costs.

PSP's annual fee is prorated and charged quarterly, either in advance or arrears. The fee valuation is based upon the average account value for the last day of each of the previous three months or the average daily balance for the previous three months. This average is taken from the billing quarter for accounts billed in arrears and from the previous quarter for accounts billed in advance.

The annual fee varies between 10 and 150 basis points (i.e., 0.10% and 1.50%) depending upon the market value of the assets under management and the type of investment or management services to be rendered. PSP, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

Additionally, PSP or its related persons may be paid performance-based compensation, which is compensation based on a share of capital gains or capital appreciation of the assets of a client.

### **Bridge Loan Fees**

In connection with certain bond investments made by Principal Street on behalf of its advisory clients, Principal Street is the Bondholder Representative. Principal Street does not receive any additional fees or compensation for acting as a Bondholder Representative from the client.

However, with respect to each Bridge Loan (or bond) PSP may charge a one-time fee not to exceed one and a half percent (1.5%) of the par amount of each Bridge Loan in the client's account (the "Bondholder Representative Fee"), which fee will be capitalized at the inception of the Loan and paid for by the issuer (borrower) thereunder. This fee will be in addition to, and expressly not in lieu of, any fees or other charges that may be owed to PSP, including but not limited to, the management fee discussed above.

All PSP clients have been given the option to opt out of the Bridge Loan program and/or any investments that includes a Bondholder Representative Fee.

### **Fees Charged by Financial Institutions**

As further discussed in response to Item 12, PSP generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") and/or Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

PSP will only implement its investment management recommendations after the client has arranged for and furnished PSP with all information and authorization regarding accounts with an approved financial institution. Approved financial institutions include, but are not limited to, *Schwab*, *Fidelity*, any other broker-dealer recommended by PSP, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions*, such as custodial fees, charges imposed directly by a mutual fund in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to PSP's investment management fees.

### **Fee Debit**

PSP's *Agreement*, and the separate agreement with any *Financial Institution*, may authorize PSP to debit the client's account for the amount of PSP's investment management fee and to directly remit that management fee to PSP as appropriate. Any Financial Institutions recommended by Principal Street have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the client's account including the amount of investment management fees paid directly to Principal Street. Alternatively, clients can elect to have PSP send an invoice to the client for payment.

### **Fees for Management During Partial Periods of Service**

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between PSP and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. PSP's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients can make additions to and withdrawals from their account at any time, subject to PSP's right to terminate an account. Additions can be in cash or securities provided that PSP reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients can withdraw account assets upon notice to PSP and are subject to the usual and customary securities settlement procedures. However, PSP designs its portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. PSP may consult with its clients about the options and ramifications of liquidation and/or transferring securities. However, clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

For accounts where management fees are based on average daily portfolio value, if assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets is adjusted accordingly. For accounts where management fees are based on average month-end values, if assets are deposited into or withdrawn from an account after the inception of a month, the fee payable with respect to such assets is not adjusted or prorated to account for the days remaining in the billing period.

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

*Performance-Based Fees:* PSP may be paid performance-based compensation, which is compensation that is based on a share of capital gains or capital appreciation of the assets of a client. The performance-based fees are subject to certain preferred return hurdles. These performance-based fees will be negotiated on a case-by-case basis and will be disclosed to the client in the fee schedule agreed to by the client and PSP. The client should be aware that the existence of a performance-based fee structure may create a conflict of interest in that PSP may have an incentive to take a greater degree of risk in order to generate a greater investment return thereby increasing any such performance-based fees.

*Side-By-Side Management:* Additionally, when PSP and its investment personnel manage accounts for clients that are charged performance fees and those that are not charged performance fees, this creates a conflict for the investment personnel to favor accounts that are charged performance fees. However, PSP has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. PSP reviews investment decisions periodically to assess whether accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also compared periodically to determine whether there are any unexplained significant discrepancies. In addition, PSP's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate generally in investment opportunities pro rata based on asset size and require that, to the extent orders are aggregated, the client orders are given an average price. These areas are monitored by the respective Portfolio Managers.

## **Item 7. Types of Clients**

PSP provides its services to individuals, banks, thrift institutions, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, business entities, sub-advisory relationships, and pooled investment vehicles.

## **Minimum Account Size**

PSP does not impose a mandatory minimum portfolio size, however depending on the investment strategy, accounts may be required to meet a minimum size in order to be properly allocated to individual underlying investments. Current SMA strategies have stated minimums starting at \$100,000. The minimum account size may be waived at PSP's sole discretion.

## **Item 8. Method of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis and Investment Strategies**

#### *Equities*

PSP utilizes a proprietary screening and factor model to identify companies with very high quality and liquid balance sheets, durable cash flows, sensible dividend policy, dividend growth potential and that are trading at attractive relative valuations. This screening process identifies companies within a universe that qualify for investment consideration. A qualitative overlay is then applied to select the final portfolio.

#### *Debt Securities*

High Yield Municipal strategies utilize a credit underwriting policy on unrated project revenue tax exempt bonds. PSP focuses on sectors they believe present the best relative value and greatest upside potential while considering risk management and capital preservation.

Previously, Principal Street had the option to invest a portion of its client assets in a series of short-term taxable bridge loans (the "Loans"). Investments in an asset such as these Loans typically require a high degree of monitoring and administrative services, typically provided by a person referred to as a "Bondholder's Representative," who is compensated by the bondholder for the provision thereof. All Principal Street clients are entitled to opt out of investments in these types of Loans. Fixed income investing involves many risks. See the "Risk of Loss" section below for more information.

### **Risks of Loss**

#### *Stock Market Risk*

PSP invests in domestic equities. Equity prices can be influenced by many variables including individual company risk, sector risk, market risk, domestic and global economic risk. Equity values can be volatile, and investors can experience partial or total loss of capital. Declines in market value can be unpredictable and persist for meaningful periods of time. If shares are redeemed during such times, investors can experience permanent loss of capital.

#### *Municipal Securities Risk*

The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. Changes in a municipality's financial health may make it difficult for the municipality to make interest and principal payments when due. Municipal obligations may be more susceptible to downgrades or defaults during recessions or similar periods of economic stress. Municipal securities structured as revenue bonds are generally not backed by the taxing power of the issuing municipality but rather the revenue from the particular project or entity for which the bonds were issued. If the Internal Revenue Service determines that an issuer of a municipal security has not complied with applicable tax requirements, interest from the security could be treated as

taxable, which could result in a decline in the security's value. In addition, there could be changes in applicable tax laws or tax treatments that reduce or eliminate the current federal income tax exemption on municipal securities or otherwise adversely affect the current federal or state tax status of municipal securities.

A number of municipalities have had significant financial problems recently, and these and other municipalities could, potentially, continue to experience significant financial problems resulting from lower tax revenues and/or decreased aid from state and local governments in the event of an economic downturn. This could decrease the income or hurt the ability to preserve capital and liquidity. Under some circumstances, municipal securities might not pay interest unless the state legislature or municipality authorizes money for that purpose. Some securities, including municipal lease obligations, carry additional risks. For example, they may be difficult to trade, or interest payments may be tied only to a specific stream of revenue.

Since some municipal securities may be secured or guaranteed by banks and other institutions, the risk could increase if the banking or financial sector suffers an economic downturn and/or if the credit ratings of the institutions issuing the guarantee are downgraded or at risk of being downgraded by a national rating organization. If such events were to occur, the value of the security could decrease or the value could be lost entirely, and it may be difficult or impossible to sell the security at the time and the price that normally prevails in the market. Interest on municipal obligations, while generally exempt from federal income tax, may not be exempt from federal alternative minimum tax.

With any issue, there is the possibility of default, as is true with all bonds. Controlling a majority of, or the entire class of, debt securities may result in additional challenges in determining the perceived market value of the security. Such challenges may occur due to the unique characteristics of the issuer, lack of trading of the specific security, and/or lack of other market participants willing to purchase the security. As a result, certain securities purchased by PSP are substantially illiquid.

The municipal bonds that the High Income and Distressed Municipal strategies invest in are generally non-rated, high-yield securities. These types of bonds typically pay a higher rate of interest than rated bonds. PSP does not believe that non-rated bonds imply that the bond is not credit worthy. Rather, the size of a bond issue is sometimes too small to afford the cost of being rated by a rating agency. The price of a non-rated bond is generally based upon the current market conditions for a security of a similar size, rating and denomination that have similar purposes. These market valuations are influenced significantly by the fact that the securities are infrequently traded, non-rated, in large denominations, and other factors.

#### *Credit Risk*

This is the risk that the issuer of a debt security could default on its obligation to pay interest and/or principal, or go bankrupt, which could cause the holder of such a security to lose money. In some instances, Hamlin may purchase securities already in default as part of the strategy.

#### *Investment Process Risk*

The investment process is designed to identify companies that have high quality balance sheets, durable cash flows, attractive dividend policy and companies that are trading at attractive valuations relative to their peers. As such, the investment process is dependent on financial information released by publicly traded companies in the US. There can be no assurances that the investment process will always accurately identify the companies with the attributes listed above. Additionally, many companies revise results from time to time. The investment process uses the most recent released financial information available and if

these releases are subsequently revised, the data used to select a portfolio company could be rendered meaningless.

#### *Style Risk*

Over equity market cycles, certain investment styles outperform while others underperform. PSP currently manages a value-based strategy. During periods of time when value investing is out of favor, investors could experience prolonged periods of underperformance.

#### *Market Cap Risk*

Over equity market cycles, certain market cap styles outperform while others under perform. PSP's current strategy is a large to mega cap-based strategy. During periods when large and mega cap companies are out of favor, the strategy could experience prolonged periods of under- performance. Additionally, larger companies are heavily dependent on well-functioning and efficient capital markets to finance current operations and expansion. In the event that the capital markets are not functioning efficiently, large companies could be more adversely impacted versus smaller companies.

*Fundamental Global Macro Risks* As seen during the financial crisis of 2008, fundamental market disruption can have material impact on equity valuation. Frozen credit markets, sovereign debt crisis, breakdown in trade, world currency markets, shocks to commodity valuation and other macro factors can have direct negative impact on equity market valuation and volatility.

#### *Regulatory Risks*

Following the financial crisis of 2008, the US Government has introduced new regulations that directly and indirectly impact certain companies and sectors. These regulations are often introduced and have unpredictable and unintended consequences that could have material impact on certain companies and sectors.

#### *Swaps and Other Derivatives*

The strategies may, but are not required to, use derivatives for a variety of purposes, including as a hedge against adverse changes in the market price of securities, interest rates or currency exchange rates; as a substitute for purchasing or selling securities; and to increase the strategy's return as a non-hedging strategy that may be considered speculative. The strategies may choose not to make use of derivatives for a variety of reasons, and any use may be limited by applicable law and regulations.

#### *Use of Private Collective Investment Vehicles*

PSP may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

#### *Concentration Risk*

Concentrating investments in a particular country, region, market, industry or asset class means that performance will be more susceptible to loss due to adverse occurrences affecting that country, region, market, industry or asset class.

#### *Inflation Risk*

When any type of inflation is present, the future value of an investment will not be worth as much as it is today. This refers to the possibility that rising prices associated with inflation could outpace the returns delivered by your investments.

#### *Interest Rate Risk*

Interest rates and the prices of debt securities generally move in opposite directions. When interest rates fall, the prices of most debt securities rise; conversely when interest rates rise, prices fall. The value of a bond or other fixed-income investment will normally suffer as the result of a change in interest rates.

#### *Management Through Similarly Managed Accounts*

PSP may manage portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, PSP buys, sells, exchanges and/or transfers shares of securities based upon the investment strategy.

PSP's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the 1940 Act. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to PSP's clients may be limited. For example, various mutual funds or insurance companies may limit the ability of PSP to buy, sell, exchange or transfer securities consistent with its *investment strategy*. As further discussed in response to Item 12 (below), PSP allocates investment opportunities among its clients on a fair and equitable basis.

#### *Use of Margin*

To the extent that a client authorizes the use of margin, and margin is thereafter employed by PSP in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to PSP will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin shall correspondingly increase the management fee payable to PSP. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in

that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

#### *Cybersecurity Risk*

Principal Street, like all companies, may be susceptible to operational and information security risks. Cybersecurity failures or breaches of the Firm or any their service providers or the issuers of securities in which Principal Street does business with have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs. The Firm could be negatively impacted as a result.

#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

#### *Force Majeure Events Risk:*

This is the risk that there may be an act of God, terrorist act, global health pandemic, failure of utilities or other similar circumstances not within the reasonable control of PSP that may have an unknown and potentially catastrophic effect on the global markets.

The risks stated above are considered material or significant but do not constitute a complete list of the risk factors involved in investing.

### **Item 9. Disciplinary Information**

October 4th, 2020, the SEC agreed with Principal Street Partner's access person, director, Richard Finch, to settle an administrative proceeding ("the Order") related to a lack of proper registration while conducting business in the state of Kentucky. The Order occurred while Mr. Finch was acting as CCO for Green Square Capital Louisville (a prior Principal Street affiliate) and does not in any way impact Principal Street Partners or its clients. Without admitting or denying the findings of the Order, Mr. Finch agreed to cease and desist from violating the Securities Act of Kentucky and paid a monetary fine of \$2,000. Green Square Capital Louisville had withdrawn its SEC registration on May 11th, 2017, prior to the Order. A copy of the Order is available on the SEC website.

March 11, 2022, the Commonwealth of Massachusetts agreed with Principal Street Partners, to settle an administrative proceeding (the "Order") for the failure to register an investment advisor representative in Massachusetts prior to providing investment advisory services in Massachusetts. Without admitting or denying the findings of the Order, PSP agreed to cease and desist from violating the Securities Act of Massachusetts and paid a monetary fine of \$32,500. A copy of the Order is available on the SEC website.

Principal Street Partner's and its employees have not been involved in any other legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

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

#### **Participation in Fidelity Wealth Advisor Solutions®**

Principal Street participates in the Fidelity Wealth Advisor Solutions® Program (the “WAS Program”), through which PSP receives referrals from Strategic Advisers, Inc. (“SAI”), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. PSP is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control PSP, and SAI has no responsibility or oversight for PSP’s provision of investment management or other advisory services

Under the WAS Program, SAI acts as a solicitor for PSP and PSP pays referral fees to SAI for each referral received based on PSP’s assets under management attributable to each client referred by SAI or members of each referral’s household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to PSP does not constitute a recommendation or endorsement by SAI of Principal Street’s particular investment management services or strategies. More specifically, PSP pays the following amounts to SAI for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such asset are identified as “fixed income” assets by Fidelity Personal and Workplace Advisers, LLC (“FPWA”) and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, Principal Street has agreed to pay FPWA an annual program fee of \$50,000 to participate in the WAS Program. These referral fees are paid by PSP and not the client.

To receive referrals from the WAS Program, Principal Street must meet certain minimum participation criteria, but IA may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of its participation in the WAS Program, PSP may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and IA may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to PSP as part of the WAS Program. Under an agreement with SAI, Principal Street has agreed that IA will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, Principal Street has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when PSP’s fiduciary duties would so require, and IA has agreed to pay SAI a one-time fee equal to 0.75% of the assets in a client account that is transferred from SAI’s affiliates to another custodian; therefore, PSP may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit PSP’s duty to select brokers on the basis of best execution.

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

PSP has adopted a Code of Ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“Code of Ethics”). In accordance with Section 204A of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by PSP or any of its associated persons. The Code of Ethics also requires that certain PSP personnel (called “Access Persons”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

PSP and persons associated with PSP (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with PSP’s policies and procedures. Such practices present a conflict of interest where, because of the information PSP has, PSP or its Associated Persons are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients’ trades). PSP has adopted

policies and procedures, such as pre-clearance of personal trades and disclosure of personal securities transactions and holdings for Associated Persons, in an effort to minimize such conflicts.

When PSP is purchasing or considering purchasing any security on behalf of a client, no Access Person may affect a transaction in that security prior to the completion of the purchase or until a

decision has been made not to purchase such security. Similarly, when PSP is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds, unless PSP or a control affiliate acts as the investment advisor or sub-advisor as defined in section 2(a)(20) of the 1940 Act; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds. Clients and prospective clients may contact PSP to request a copy of its *Code of Ethics*.

## **Item 12. Brokerage Practices**

As discussed in Item 5, PSP generally recommends that clients utilize the brokerage and clearing services of *Schwab* or *Fidelity*.

Factors which PSP considers in recommending *Schwab*, *Fidelity*, or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service. *Schwab* and/or *Fidelity* may enable PSP to obtain many securities without transaction charges. The commissions and/or transaction fees charged by *Schwab* and/or *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by PSP's clients comply with PSP's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where PSP determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including, among other things, the value of research provided, execution capability, commission rates, and responsiveness. PSP seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions. However, PSP, as a policy, does not compensate a broker-dealer for providing certain brokerage and research services that may be more than would have been paid to another broker-dealer for execution only.

Transactions may be cleared through other *Financial Institutions* with whom PSP and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. PSP periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct PSP in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and PSP will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by PSP (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the

case. Subject to its duty of best execution, PSP may decline a client's request to direct brokerage if, in PSP's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be affected independently unless PSP decides to purchase or sell the same securities for several clients at approximately the same time. PSP may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among PSP's client's differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among PSP's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that PSP determines to aggregate client orders for the purchase or sale of securities, including securities in which PSP's *Supervised Persons* may invest, PSP generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the SEC. PSP does not receive any additional compensation or remuneration as a result of the aggregation. In the event that PSP determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, PSP may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Clients should be aware, that due to the nature of the securities PSP trades, and the limited market for such securities, PSP may engage in "client cross transactions" which occur when one PSP client sells a bond, which another PSP client purchases in an arms-length transaction executed by a 3<sup>rd</sup> party broker-dealer. Cross trades may be done between two clients when the transaction serves the interests of both clients. For example, a cross trade may be considered if one client is liquidating their account entirely while another client opens an account at the same time and there is some relationship between the two accounts.

Client cross transactions are executed at the bid price from an independent third party/broker. The brokers consider a number of factors when providing a bid, including the prior day's close as supplied by Intercontinental Exchange ("ICE"), as well as where the bonds last traded. Clients that participate in cross transactions may incur a markup or mark-down charged by the broker-dealer. PSP does not engage in client cross transactions for accounts subject to ERISA, even where such cross trades may result in reduced transaction costs.

### **Software and Support Provided by Financial Institutions**

PSP may receive from *Financial Institutions*, without cost to PSP, computer software and related systems support, which allow PSP to better monitor client accounts maintained at *those Financial Institutions*. PSP may receive the software and related support without cost because PSP renders investment management services to clients that maintain assets at *these Financial Institutions*. The software and related systems support may benefit PSP, but not its clients directly. In fulfilling its duties to its clients, PSP endeavors at all times to put the interests of its clients first. Clients should be aware, however, that PSP's receipt of economic

benefits from a broker-dealer creates a conflict of interest since these benefits may influence PSP's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, PSP may also receive the following benefits from *Schwab* through its Schwab Institutional division and *Fidelity* through its Institutional Wealth Services Group: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional or Institutional Wealth Services Group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. *Schwab and/or Fidelity* may also provide other benefits to PSP such as attendance at conferences and educational events. *Schwab and/or Fidelity* may discount or waive fees it would otherwise charge PSP for these services.

## **Item 13. Review of Accounts**

### **Account Reviews**

For those clients to whom PSP provides asset management services, PSP monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with PSP and to keep PSP informed of any changes thereto. PSP contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and General Reports**

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom PSP provides investment advisory services may also receive a report from the Firm that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance from time to time. Clients should compare the account statements they receive from their custodian with those they receive from PSP. The aforementioned reporting excludes portfolios managed by Principal Street as a sub-advisor. For those portfolios, the referring adviser is responsible for providing each client with account statements and any other required regulatory reports.

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

### **Economic Benefits**

The Firm is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. PSP may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest, and any such relationship is disclosed in response to Item 12, above. While PSP may receive economic benefits from the broker-dealers and custodians recommended, PSP does not receive monetary compensation from any third party.

### **Client Referrals**

The Firm is required to disclose any direct or indirect compensation that it provides for client referrals.

As disclosed under Item 10, we participate in Fidelity Wealth Advisor Solutions® and we may recommend Fidelity to clients for custodial and brokerage services. Additionally, Principal Street entered into a solicitation agreement with Skypoint Capital Partners, LLC (“Skypoint”) on October 2, 2019. Skypoint acts as a solicitor for PSP and PSP pays referral fees to Skypoint in accordance with the requirements of Rule 206(4)-1 of the Advisers Act. Skypoint is partially owned by Darrell Horn, and Richard Finch (Principal Street related persons) and acts as the distribution partner for the Principal Street strategies. PSP became affiliated with Skypoint in October 2019.

If a client is introduced to PSP by either an unaffiliated or an affiliated solicitor, called promoters, PSP may pay that promoter a referral fee in accordance with the requirements of Rule 206(4)-1 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from PSP’s investment management fee and does not result in any additional charge to the client. If the client is introduced to PSP by an unaffiliated solicitor, the solicitor provides the client with a copy of PSP’s written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor’s disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of PSP discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of PSP’s written disclosure brochure at the time of the solicitation.

Principal Street has relationships with other parties, which include service providers, accountants, lawyers and data providers whose compensation is solely for the services for which they are engaged and may from time to time refer clients to PSP.

## **Item 15. Custody**

PSP is not a custodian. All separate account client assets are held in custody by unaffiliated, qualified custodians. However, PSP’s *Agreement* and/or the separate agreement with any *Financial Institution* may authorize PSP through such *Financial Institution* to debit the client’s account for the amount of PSP’s fee and to directly remit that management fee to PSP and/or to move funds to/from client accounts via standing letters or authorization, in accordance with applicable custody rules.

Additionally, PSP is deemed to have custody of the Joshua Tree Capital, L.P Fund which receives an annual financial statement audit by an independent public accountant registered with, and subject to regular inspection by, the PCAOB. Audited financial statements are distributed to investors in the Fund as is required in order to comply with Rule 206(4)-2.

The *Financial Institutions* recommended by PSP have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PSP. In addition, as discussed in Item 13, PSP may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from PSP.

## **Item 16. Investment Discretion**

PSP may be given the authority to exercise discretion on behalf of clients. PSP is considered to exercise investment discretion over a client’s account if it can affect transactions for the client without first having to seek the client’s consent. PSP is given this authority through a power-of- attorney included in the

agreement between PSP and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). PSP takes discretion over the following activities:

- The securities to be purchased or sold; The amount and price of securities to be purchased or sold; When transactions are made;
- The *Financial Institutions* to be utilized;
- The commission rates to be paid to a broker or dealer for a client's securities transaction.

## **Item 17. Voting Client Securities**

PSP votes client securities (proxies) on behalf of its clients and uses a third-party vendor to do so. When PSP accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully described in PSP's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in PSP's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact PSP using the contact information on the cover page of this brochure to request information about how PSP voted proxies for that client's securities or to get a copy of PSP's Proxy Voting Policies and Procedures.

Principal Street uses an unaffiliated third-party proxy research and voting service, called Proxyedge, to vote on behalf of PSP clients. Principal Street has the authority to direct votes and can override or revoke any vote cast by Proxyedge.

A brief summary of PSP's Proxy Voting Policies and Procedures is as follows:

- PSP has formed a Proxy Voting Committee that will be responsible for ensuring voting decisions are made in the best interest of clients and ensuring that proxies are submitted in a timely manner. In addition, the Proxy Committee is responsible for maintaining Principal Street's Proxy Voting Guidelines, as well as notifying Proxyedge when accounts are added at new Brokers, Banks, or Custodians.
- Proxyedge will vote proxies according to PSP's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds. The Proxy Committee meets regularly to review the votes placed on behalf of Principal Street.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, PSP devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct PSP's vote on a particular solicitation but can revoke PSP's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that PSP maintains with persons having an interest in the outcome of certain votes, PSP takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## **Item 18. Financial Information**

PSP does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, PSP is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

In 2021, Principal Street Partners, along with its affiliates, received a total of \$170,068.50 in Paycheck Protection Program ("PPP") Loans through the U.S. Small Business Administration in connection with the relief provided by the CARES Act. Principal Street used the PPP Loans to cover payroll expenses, including those of persons performing primarily advisory functions. PSP did not suffer any interruption of service. The entirety of the PPP Loans has been forgiven.