

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

April 8, 2024

#### **Pittsburgh Financial Planners, Inc.**

CRD No. 14155

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This brochure provides information about the qualifications and business practices and authority of Pittsburgh Financial Planners, Inc. If you have any questions about the contents of this brochure, please contact us at 412-220-1690 or email us at [planning@pfpria.com](mailto:planning@pfpria.com). The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state regulatory authority. Registration with the SEC or any state regulatory authority does not imply a certain level of skill or expertise for PFP Advisors or any of its personnel.

Additional information about Pittsburgh Financial Planners, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. We will provide you with interim disclosures about material changes as necessary. There have been no material changes since the last update of this disclosure brochure issued on September 12, 2023.

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## Item 4: Advisory Business

### A. Pittsburgh Financial Planners, Inc.

Pittsburgh Financial Planners, Inc. ("PFP" and/or "the firm"), is a Pennsylvania corporation. Stephen Bierker and Brian Yates are the firm's principal owners. PFP has been an investment adviser since 1983, providing investment advisory and financial planning services.

### B. Advisory Services Offered

PFP serves individuals, trusts, business entities and sole proprietorships offering evaluation, recommendations and ongoing guidance with regard to business succession issues, retirement planning, pension and profit sharing plans, investments, insurance needs, estate planning and other aspects of personal and business financial planning.

#### B.1. Financial Planning Services

Clients will receive a written or oral report (depending on the client's preference) providing a basic financial plan designed to help achieve their stated financial goals and objectives. Based on the client's needs, financial planning services may include (but are not limited to) the following:

- Preparation of a recommended asset allocation that serves to diversify the client's portfolio among different categories of investments, such as domestic and international small, medium, and large capitalization securities; corporate and government fixed income (short-, intermediate-, and long-term maturities); emerging market securities (i.e., foreign issuers); real estate investment trusts; and such other alternative asset categories that are suitable in light of the client's investment goals, objectives, and risk tolerance.
- Preparation of a retirement plan that serves to identify whether the client is saving enough and investing in a way that meets retirement objectives in light of the client's financial circumstances and risk tolerance.
- Preparation of cash flow projections to ensure that the client can meet daily living expenses and obligations.
- Insurance planning to meet the needs of the client, taking into account family, business, and other financial objectives of the client.
- General family office and business consulting:
  - Retirement objectives
  - Philanthropy
  - Estate planning
  - Wealth transition
  - Business succession and related issues

PFP gathers required information through in-depth personal interviews and questionnaires. Information gathered includes a client's current financial status, investment objectives, future

goals, and attitudes toward risk. Related documents supplied by the client are carefully reviewed, and a report is prepared covering one or more of the above-mentioned topics as directed by the client.

## **B.2. Portfolio Management Services**

PFP offers discretionary and non-discretionary portfolio management services to individual clients. For its discretionary asset management services, PFP receives a limited power of attorney to effect securities transactions on behalf of its clients.

PFP's investment advisory services are tailored to the individual needs of our clients, taking into account a client's personal financial circumstances, investment objectives and tolerance for risk (e.g., cash-flow, tax and estate). PFP's engagement with a client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to PFP in response to a questionnaire and/or in discussions with the client and reviewed in meetings with PFP.
- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending individual equity and fixed income securities, third-party money managers, mutual funds, ETFs, and investment limited partnerships.
- Proposing changes in the client's investment portfolio in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund retained by the client.
- If the client's portfolio and personal circumstances, investment objectives, and tolerance for risk make such advice appropriate, providing recommendations to hedge a client's portfolio through the use of derivative strategies, to generate additional income through the use of covered call option writing strategies involving exchange listed or OTC options, and/or to monetize or hedge concentrated stock positions.

In addition to providing PFP with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients have the right to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm in writing of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. PFP will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. PFP will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

### **B.3. Third-Party Investment Management**

PFP may offer independent portfolio managers for the selection and trading management of a customized stock and bond portfolio. Please refer to the third-party manager's Form ADV disclosure brochure for the services they offer.

PFP's Third-Party Investment Management services are tailored to the individual needs of our clients, taking into account a client's personal financial circumstances, investment objectives and tolerance for risk (e.g., cash-flow, tax and estate). PFP's engagement with a client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to PFP in response to a questionnaire and/or in discussions with the client and reviewed in meetings with PFP.
- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Proposing changes in the client's investment portfolio in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, third-party money manager and/or the performance of any fund retained by the client.
- If the client's portfolio and personal circumstances, investment objectives, and tolerance for risk make such advice appropriate, providing recommendations to hedge a client's portfolio through the use of derivative strategies, to generate additional income through the use of covered call option writing strategies involving exchange listed or OTC options, and/or to monetize or hedge concentrated stock positions.

In addition to providing PFP with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. PFP will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. PFP will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

#### **D. Wrap Fee Programs**

PFP does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

#### **E. Client Assets Under Management**

As of December 31, 2023, PFP had \$80,799,3442 of discretionary assets and \$56,256,805 of non-discretionary assets under management.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Financial Planning Fees

For initial financial planning engagements where financial planning services, including but not limited to estate planning, business succession, employee fringe benefit evaluations, income tax projecting and retirement planning are to be provided, one half of an agreed upon flat fee will be due upon signing of a Letter of Engagement ("LOE"), with the remainder due upon completion of the engagement. The client is encouraged to have legal counsel review the LOE before signing. Depending upon the complexity of the situation and the needs of the client, the fixed fee for an initial engagement typically ranges between \$2,000 to \$15,000.

For ongoing financial planning advice given and services rendered, after the initial engagement, a flat fee based upon mutually negotiated agreement, or hourly fees of \$235.00 per hour professional advisor rate and \$60.00 per hour support staff rate will be payable monthly in arrears. Fees are due from the client within 30 days of billing. Fees for services are negotiable.

#### A.2. Portfolio Management Services

For portfolio management services provided directly through PFP, clients will be charged a maximum annual fee of 1.0% of their assets under management. Fees are assessed in advance (quarterly, semi-annually, or at such other interval mutually agreed upon by client and PFP) based upon the value of account(s) as of the last day of the immediately preceding interval. The annual fee will vary depending upon the market value of the assets under management. Fees are negotiable.

Asset-based fees are subject to the investment advisory agreement between the client and PFP. Such fees are payable quarterly, semi-annually, or other interval as mutually agreed upon between the client and the firm, provided such interval does not exceed six months. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month.

A client investment advisory agreement may be canceled by either party with 30 days' prior written notice. Upon termination of any account, any unearned, prepaid fees will be promptly refunded. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

#### A.3. Third-Party Manager Fees

PFP may recommend the use of a portfolio manager for the selection and trading management of a customized stock and bond portfolio. PFP's fee is in addition to the fees charged by the third-party manager. Third-party manager fees are calculated in accordance with such third-party manager's policies as disclosed in their Form ADV disclosure brochure. Clients will be charged a maximum annual PFP fee of 1.0% of their assets under management. The annual fee



will vary depending upon the market value of the assets under management. Fees are negotiable.

Asset-based fees are subject to the investment advisory agreement between the client and PFP. Such fees are payable quarterly, semi-annually, or other interval as mutually agreed upon between the client and the firm, provided such interval does not exceed six months. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month.

A client investment advisory agreement may be canceled at any time by the client, or by PFP with 30 days' prior written notice to the client. Upon termination of any account, any unearned, prepaid fees will be promptly refunded. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## **B. Client Payment of Fees**

### **B.1. Financial Planning Fees**

For initial flat fee engagements, half of the agreed-upon fee will be due upon signing of the agreement, with the remainder due upon completion of the services offered. For ongoing financial planning advice given and services rendered, after the initial engagement, hourly or flat fees will be payable monthly in arrears. Fees are due from the client within 30 days of billing.

The client will be billed directly for planning services performed. The client or PFP can terminate the financial planning agreement at any time with written notice to the other party. If any fees are paid in advance by the client as part of a fixed fee arrangement, upon termination of the agreement, such fees will be refunded based on the prorated amount of work completed at the time of termination. Any fees owed to PFP by the client upon termination will be billed to the client.

### **B.2. Portfolio Management Fees**

PFP requires the prepayment of its asset-based fees. PFP's fees will either be paid directly by the client or disbursed to PFP by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client may terminate the investment advisory arrangement at any time prior to the next scheduled consultation and by doing so, will not incur any future fee obligations. Any client fees already incurred prior to the termination of the arrangement will remain due and payable. In the event such asset management fees are billed in advance, unearned fees will be refunded to the client at the termination of the advisory relationship.

Clients are required to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the

account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

Asset-based fees will be deducted directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### **B.3. Third-Party Management Fees**

PFP may recommend third-party investment managers to manage all or a portion the client's portfolio in accordance with its due diligence procedures detailed in Item 8 of this Brochure. The client is responsible for the third-party investment manager fees, which are disclosed in applicable manager's Form ADV Part 2A. Third-party fees are in addition to PFP's fees disclosed in Item A.2. above. PFP's fee is negotiable.

## **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, third-party managers, broker-dealers and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and brochure and brochure supplement or similar disclosure statement, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using PFP may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## **D. External Compensation for the Sale of Securities to Clients**

PFP's advisory professionals are compensated through a salary and bonus structure. PFP is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.

## **E. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

***Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:*** Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

PFP does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **Item 7: Types of Clients**

PFP's clients include individuals, trusts, business entities and sole proprietorships. We offer evaluation, recommendations and ongoing guidance with regard to business succession issues, retirement planning, pension and profit sharing plans, investments, insurance needs, estate planning and other aspects of personal and business financial planning. There are no minimum account size requirements.

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

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

We do not perform market analysis, technical analysis of individual securities or attempt to time the market. The analysis of underlying securities in a professionally managed portfolio is performed by the fund management companies and portfolio managers whom we recommend. We perform thorough due diligence prior to the recommendation of an investment. The due diligence process is an ongoing process which continues throughout the term of the investment.

Factors considered in evaluating offerings of securities and ongoing monitoring include, but are not limited to:

- Economic potential vs. economic risk
- Tax benefits vs. tax risk
- Previous experience and track record of sponsor and affiliated parties
- Sales charges, including commissions, fees and associated costs of the offering ("load"); whether reasonable, justifiable and customary
- Economic considerations from a macro view
- Specific industry trends and industry economics
- Company business plan and financial strength of the sponsor
- Philosophy and financial strength of the management and principal parties

**Investing in securities involves risk of loss that clients should be prepared to bear.**

#### **A.1. Mutual Funds, Exchange-Traded Funds, Independent Third-Party Managers, Individual Equity and Fixed Income Securities**

PFP may recommend no-load and load-waived mutual funds and individual securities (including fixed income instruments). Such management styles may include, among others, large-cap, mid-cap, and small-cap value, growth, and core; international and emerging markets; and alternative investments. PFP may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that PFP will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds, individual securities (including fixed-income securities), and managers is set forth below.

PFP has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds, and managers
- perform billing and certain other administrative tasks

PFP may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

PFP reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include:

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor, or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager, a mutual fund or manager's consistency of investment style, and employee turnover and efficiency and capacity. PFP will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by PFP on a quarterly basis or such other interval as mutually agreed upon by the client and PFP. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by PFP (both of which are negative factors in implementing an asset allocation structure). Based on its review, PFP will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

PFP may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (for example, for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the mutual funds or managers utilized. PFP will endeavor to obtain equal treatment for its clients with mutual funds or managers, but cannot assure equal treatment.

PFP will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

## **A.2. Material Risks of Investment Instruments**

PFP typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Option contracts on securities
- Government and agency mortgage-backed securities
- Corporate debt obligations

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **A.2.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and



amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.2.d. Exchange-Traded Funds (“ETFs”)**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> (“QQQs<sup>SM</sup>”), iShares<sup>®</sup> and VIPERS<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company’s advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF’s underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company’s ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality’s ability to raise additional tax

revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.2.g. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.2.h. Options on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors, including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period and interest rates.

#### **A.2.i. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

### **A.2.j. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, PFP may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

## **B. Investment Strategy and Method of Analysis Material Risks**

### **B.1. Leverage**

Although PFP as a general business practice does not utilize leverage, there may be instances in which exchange-traded funds and, in very limited circumstances, PFP will utilize leverage. In this regard please review the following:

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers that carry customer accounts have a minimum equity requirement when clients utilize leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, or satisfy a margin deposit the client must sell a disproportionate amount of collateral securities to release enough cash to either satisfy the withdrawal or margin deposit amount based upon similar reasoning as cited above.

Regulations concerning the use of leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although PFP, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **B.3. Short Selling**

PFP generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **B.4. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

PFP as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases

#### **B.4.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client's portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### **B.4.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.4.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **C. Security-Specific Material Risks**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

PFP recommends that client invest in a diversified portfolio of equity and fixed income securities. Please refer to Item 8.A. above.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither PFP nor its affiliates are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither PFP nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

There is nothing to report for this item.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Although PFP does not receive any remuneration from advisers, investment managers, or other service providers that it recommends to clients, the firm may engage third-party managers to manage PFP client accounts. Fees paid by the client to third-party managers are in addition to fees paid by the client to PFP.

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

### **A. Code of Ethics Description**

PFP has a Code of Ethics that its access persons are required to follow. The Code of Ethics outlines proper conduct related to all services provided to clients. The firm's Chief Compliance Officer, who is its sole individual member, regularly evaluates his performance to ensure compliance with the Code of Ethics. In general, the Code of Ethics consists of the following core principles:

- The interests of clients will be placed ahead of the firm's or the sole individual member's own investment interests.
- The sole individual member is expected to conduct his personal securities transactions in accordance with the firm's Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest with the clients.
- The sole individual member will not take inappropriate advantage of his position with the firm.
- The sole individual member is expected to act in the best interests of each of the firm's clients.
- The sole individual member is expected to comply with state and federal securities laws.

A copy of the Code of Ethics is available to any client or prospective client upon request.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

PFP does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). PFP does not recommend securities to advisory clients in which it has a proprietary or ownership interest.

### **C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

PFP, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees raises potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.



Such conflict generally refers to the practice of front-running (trading ahead of the client), which PFP specifically prohibits. PFP has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow PFP's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

PFP, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other PFP clients. PFP will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of PFP to place the clients' interests above those of PFP and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

PFP may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab" or "custodian"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although PFP may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. PFP is independently owned and operated and not affiliated with the custodian.

For PFP client accounts maintained at a custodian, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into the custodian's accounts. PFP considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients

In certain instances and subject to approval by PFP, PFP will recommend to clients certain broker-dealers and/or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by PFP will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities; as a result there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

PFP seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)

- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Soft Dollar Arrangements**

The firm does not utilize soft dollar arrangements. The firm does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.c. Institutional Trading and Custody Services**

The custodian provides PFP with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a certain minimum amount of the adviser's clients' assets are maintained in accounts at the custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. PFP may take into account the availability of some of the foregoing services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by the custodian, which creates a potential conflict of interest in that PFP may recommend custodians based upon its interests rather than the interest of its clients.

#### **A.1.d. Other Products and Services**

The custodian also makes available to PFP other products and services that benefit PFP but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of PFP's accounts, including accounts not maintained at the custodian. The custodian also makes available to PFP its managing and administering software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing, and other market data
- facilitate payment of Avocet's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

The custodian also offers other services intended to help PFP manage and further develop its business enterprise. These services may include

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

The custodian may also provide other benefits, such as educational events or occasional business entertainment of PFP personnel. In evaluating whether to recommend that clients custody their assets at the custodian, PFP may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by the custodian, which creates a potential conflict of interest.

#### **A.1.e. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to PFP. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to PFP.

#### **A.1.f. Additional Compensation Received from Custodians**

PFP may participate in institutional customer programs sponsored by broker-dealers or custodians. PFP may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between PFP's participation in such programs and the investment advice it gives to its clients, although PFP receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving PFP participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to PFP by third-party vendors

The custodian may also pay for business consulting and professional services received by PFP's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for PFP's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit PFP but may not benefit its client accounts. These products or services may assist PFP in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help PFP manage and further develop its business enterprise. The benefits received by PFP or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

PFP also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require PFP to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, PFP will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by PFP's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for PFP's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, PFP endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by PFP or its related persons in and of itself creates a potential conflict of interest and may indirectly influence PFP's recommendation of broker-dealers for custody and brokerage services.

#### **A.1.g. The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. Custodian's services may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

#### **A.2. Brokerage for Client Referrals**

PFP does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

### **A.3. Directed Brokerage**

#### **A.3.a. PFP Recommendations**

PFP typically recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

#### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct PFP to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage PFP derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. PFP loses the ability to aggregate trades with other PFP advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

PFP recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. PFP will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

**B.2. Security Allocation**

Since PFP may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by PFP in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. Such aggregate orders may include transactions for accounts for employee benefit plans and private investment vehicles such as limited partnerships or limited liability companies in which PFP, its affiliates, principals, or employees are among the investors.

PFP's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account clients' best interests. PFP will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

PFP's advice to certain clients and entities and the action of PFP for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objectives, guidelines, and circumstances. Thus, any action of PFP with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of PFP to or on behalf of other clients.

**B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order shall receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average-priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if PFP believes that a larger size block trade would lead to best overall price for the security being transacted.

**B.4. Allocation of Trades**

All allocations will be made prior to the close of business on trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs, and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

PFP acts in accordance with its duty to seek best price and execution and will not continue any arrangements if it determines that such arrangements are no longer in the best interests of clients.

### **B.5. Trade Errors**

From time to time, PFP may make an error in submitting a trade order on the client's behalf. When this occurs, PFP may place a correcting trade with the broker-dealer. If an investment gain results from the correcting trade, the gain will remain in client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for client to retain the gain, or PFP confers with client and client decides to forego the gain (e.g., due to tax reasons).

If the gain does not remain in client's account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, PFP will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in client's account, they may be "netted."



## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Accounts are reviewed by the investment adviser representative servicing the client's account. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

### **B. Review of Client Accounts on Non-Periodic Basis**

PFP may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how PFP formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

Investment advisory clients receive standard account statements from the custodian of their accounts on a monthly basis, but no less frequently than annually. Financial planning clients do not normally receive investment reports. There are no post-plan reviews unless engaged to do so by the client.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

#### **A.1. Schwab**

PFP receives an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

#### **A.2. Insurance Referrals**

Please be advised that PFP may refer clients to LLIS for their insurance needs and receive a referral fee for doing so. As such, PFP professionals have an incentive to recommend LLIS based on the compensation received rather than on a client's needs. Please be advised that PFP strives to put its clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

### **B. Advisory Firm Payments for Client Referrals**

The firm may enter into agreements with Solicitors who will refer prospective advisory clients to the firm in return for a portion of the ongoing investment advisory fee our firm collects. Generally, when the firm engages a Solicitor, such Solicitor is compensated through receipt of a portion of the advisory fees we collect from our advisory clients. The receipt of such fees creates a conflict of interest in that the Solicitor is economically incented to recommend our services because of the existence of a fee sharing arrangement with our firm. Please be advised that the firm's payment of a referral fee to the Solicitor does not increase the client's advisory fee paid to the firm.

## Item 15: Custody

PFP is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm claims custody for standing letters of authorization for approximately \$38,837,595 amount of client funds and securities for 85 clients. The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to PFP with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, PFP will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement. In addition, subject to the terms of its investment advisory agreement, PFP may be granted discretionary authority for the retention of independent third-party investment management firms. Investment limitations may be designated by the client as outlined in the investment advisory agreement. Please see the applicable third-party manager's disclosure brochure for detailed information relating to discretionary authority.

## Item 17: Voting Client Securities

PFP does not take discretion with respect to voting proxies on behalf of its clients. In no event will PFP take discretion with respect to voting proxies on behalf of its clients. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted; and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

Except as required by applicable law, PFP will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. PFP has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. PFP also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, PFP has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where PFP receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

PFP does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

PFP does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.