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# *PERESS*

## Investment Advisors, Ltd.

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### Item 1 – Cover Page

#### **FORM ADV PART 2A BROCHURE**

SEC File Number: 801-57015

CRD Number: 110094

February 21, 2013

This brochure provides information about the qualifications and business practices of Peress Investment Advisors, Ltd. If you have any questions about the contents of this brochure, please contact us at (703) 356-8611. 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 Peress Investment Advisors, Ltd. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Peress Investment Advisors, Ltd. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## Item 2 - Material Changes

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Peress Investment Advisors, Ltd. is providing this information as part of our annual updating amendment which contains material changes from our last annual update. This section discusses only material changes since the last annual update, which most recently occurred on 01/31/2012.

The following is a summary of material changes to our Brochure since our last annual amendment filing:

- **Item 5 – Fees and Compensation:**  
Item 5 was updated to include additional disclosures regarding investment consulting services, hourly and fixed rates, and fees and expenses charged by an affiliated mutual fund. Additionally, PIA's management fee on the first \$1 million under management has increased from 1.00% to 1.25%. This increase does not result in additional fees to existing clients.
- **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss:**  
Item 8 was updated to include additional disclosures regarding the general risk of investing.
- **Item 9 - Disciplinary Information:**  
The disciplinary event regarding a non-management, part-time employee of the firm was removed. The event occurred in 2003, prior to the employee joining firm. We do not believe this event is material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. However, additional information regarding the event is available upon request.
- **Item 10 - Other Financial Industry Activities and Affiliations:**  
Item 10 was updated to include additional disclosures regarding the firm's affiliated investment adviser and mutual fund.
- **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading:**  
Item 11 was updated to include additional disclosures regarding the firm's recommendation of an affiliated mutual fund and the firm's personal trading policy.
- **Item 12 - Brokerage Practices:**  
Item 12 was updated to include additional disclosures regarding the selection of brokerage firms, soft dollars, and directed brokerage.
- **Item 14 - Client Referrals and Other Compensation:**  
Item 14 was updated to include additional disclosures with respect to third party solicitors.
- **Item 19 – Privacy and Safeguarding Policy:**  
Item 19 was removed. A copy of our Privacy Policy is provided upon request or when executing an Investment Management Agreement.
- **Item 20 – Pricing and Client Account Value Policy:**  
Item 20 was removed. A copy of our Pricing and Account Value Policy is available upon request.

The Brochure for Peress Investment Advisors, Ltd. is available by contacting us at (703) 356-8611.

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## Item 4 - Advisory Business

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### A. Firm Description

Peress Investment Advisors, Ltd. ("PIA" or "Firm"), a Delaware corporation, has been providing investment management services since its formation in December 1999. Benjamin J. Peress is the Firm's President and Chief Investment Officer, and owns 85% of PIA. Maria Alexia (Lexy) Burke is the Firm's Chief Financial Officer and Chief Operating Officer, and owns 15% of PIA.

### B. Types of Advisory Service

PIA offers discretionary investment management services to a wide range of clients, including, but not limited to, individuals, business entities, trusts, and qualified retirement plans. Upon request from a client, we may also provide investment consulting with respect to investment policy statements, asset allocation, portfolio construction, investment performance, money manager searches, and other investment-related matters.

### C. Tailored Relationships

PIA works with clients to arrive at investment strategies that are specific to their needs and financial goals. We then implement the investment strategies by investing in a diversified portfolio of stocks and bonds aligned with the investment objectives of our clients.

Clients give PIA a limited power of attorney to trade stocks and bonds on their behalf, and they may impose restrictions on investing in certain securities or types of securities.

### D. Wrap Fee Programs

PIA does not participate in wrap fee programs.

### E. Client Assets

As of December 31, 2012, we had \$280,624,365 in assets under management on a discretionary basis and \$0 in assets under management on a non-discretionary basis.

## Item 5 - Fees and Compensation

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### A. Fee Schedule

PIA's investment management fees are based upon an annual percentage of the market value of assets under PIA's management as follows:

1.25% on the first \$1 million under management
0.75% on the next \$3 million up to \$4 million
0.50% on assets above \$4 million

We may charge an hourly fee ranging from \$150 to \$300 per hour or a negotiated fixed quarterly fee for providing investment management and consulting services. Fees will vary depending on the complexity of the engagement and the professional providing the service.

All fees are negotiable and the client may pay higher or lower fees than other clients receiving similar services. PIA may, in its sole discretion, waive or reduce fees charged to clients.

The investment management fee charged by PIA pursuant to the Investment Management Agreement between PIA and the client is waived for the portion of the client's account invested in a mutual fund where PIA or an affiliate serves as the investment adviser. Management fees and other expenses charged by a mutual fund remain the responsibility of the client. A description of these fees and expenses are available in the mutual fund's prospectus.

**B. Fee Billing**

Clients may elect to have the quarterly investment management fee debited directly by the custodian of the account and paid directly to PIA. In such cases, PIA will send an invoice to each client showing the amount of the fee, the formula used to calculate the fee, the value of assets the fee is based on, and the time period covered by the fee. Additionally, the invoice will disclose that it is the client's responsibility, not the custodian's, to verify the accuracy of the fee.

If a client elects to be billed directly by PIA, the investment management fee is due upon receipt of an invoice from PIA and payable by check.

PIA's investment management fees are billed quarterly at  $\frac{1}{4}$  of the annual rate and up to three months in advance. Fees are based on portfolio values as of March 31, June 30, September 30 and December 31.

**C. Other Fees**

Clients may incur fees imposed by custodians, broker-dealers, and other third-parties in connection with receiving investment management services from PIA. Such fees generally include custodial fees, brokerage transaction fees, and mutual fund expenses. The client is responsible for all third party fees. These fees are separate and distinct from the investment management fee charged by PIA. See Item 12 (Brokerage Practices) for more details.

**D. Prepaid Fees**

PIA's investment management fee is charged to clients quarterly in advance. The fee is payable in the full amount determined by the portfolio values at the end of each calendar quarter.

The Investment Management Agreement that specifies the agreed upon fee may be canceled at any time by us or the client. If the Investment Management Agreement is canceled during the calendar quarter, the fee will be pro-rated and refunded to the client for the portion of the quarter remaining.

**E. Compensation for the Sale of Securities**

Neither PIA nor any of its supervised persons receive direct compensation for the sale of any securities. However, as discussed more completely in Item 10 (Other Financial Industry Activities and Affiliations), PIA and its management benefit and receive certain compensation indirectly as a result of the sale of certain securities—specifically, the shares of the Outfitter Fund, a mutual fund advised by Outfitter Financial Corp., an investment adviser owned and operated by PIA. Generally, investments by new shareholders, or the increase of the investments of existing shareholders, will increase the amount of the investment management fee payable to Outfitter Financial Corp.

**Item 6 - Performance-Based Fees & Side-by-Side Management**

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Neither PIA nor any of its supervised persons accepts performance-based fees.

**Item 7 - Types of clients**

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PIA's clients include, but are not limited to, individuals, business entities, trusts, and qualified retirement plans.

While we do not have an account minimum, our preference is to work with clients that have \$1 million or more in investments to guide.

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

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

#### *Methods of Analysis*

We largely employ fundamental analysis to arrive at stocks and bonds we invest in for clients. Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

Primary sources of information that we use generally include financial newspapers and magazines; corporate press releases and conferences; research material prepared by others including brokerage firms; and quarterly and annual filings with the SEC.

#### *Investment Strategies*

While the investment strategies we undertake primarily target long-term investments (securities held for more than one year), we also make short-term investments (securities sold within a year). We do **not** undertake leveraged, or margin, transactions unless a client directs us to, and for a few of our clients we periodically sell options against stock investments they hold.

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

### **B. Material Risks of Investment Strategies**

PIA's methods of analysis and investment strategies do not present any significant or unusual risks beyond that of the general domestic and/or international securities markets. There can be no guarantee that PIA's methods of analysis, investment strategies or any particular investment recommended or directed by PIA will prove profitable.

Short-term, or frequent trading of securities, can expose the client to higher transaction costs and higher tax rates in taxable accounts, reducing investment performance.

### **C. Material Risks of Investing**

Client portfolios are diversified to include exchange and over-the-counter traded stocks and bonds of domestic and foreign issuers. Many portfolios we guide also include mutual funds.

Securities generally fluctuate in value and may decline significantly over short time periods. The value of a security in which a portfolio invests may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

Foreign securities may be adversely affected by political and economic conditions overseas, reduced liquidity, or decreases in foreign currency values relative to the U.S. dollar.

## **Item 9 - Disciplinary Information**

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There are no legal and disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

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**A. Registration as a Broker-Dealer or Registered Representative**

Neither PIA, nor any of its management persons, are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

**B. Registration as a FCM, CPO, or CTA**

Neither PIA, nor any of its management persons, are registered or have an application pending to register, as a futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or a representative of the foregoing.

**C. Material Relationships or Arrangements with Financial Industry**

PIA operates another investment advisory firm, Outfitter Financial Corp. ("OFC"), and owns 84.75%. Mr. Peress is OFC's President and Chief Investment Officer, and Ms. Burke is OFC's Chief Financial Officer and Chief Operating Officer. OFC and PIA are essentially engaged in the same business and share office space and employees. In addition to managing separate accounts, OFC serves as the investment adviser to the Outfitter Fund (the "Fund"), an investment company registered under the Investment Company Act of 1940. OFC receives an investment management fee from the Fund for its advisory services to the Fund. Unless otherwise indicated in the Investment Management Agreement between PIA and the client, PIA will have the discretion to allocate client assets to various investments, including the Fund.

The relationship between PIA, OFC, and the Fund presents a conflict of interest that may impair our objectivity when recommending investments in, or transferring assets from a separately managed account to the Fund. The relationship may also create an incentive for PIA and our representatives to duplicate the management fees charged to clients that hold shares of the Fund in their separate accounts. PIA addresses these conflicts by adhering to policies and procedures that are reasonably designed to mitigate potential conflicts of interest. The overarching principle guiding our policies and procedures is that client interests and needs always come first and neither PIA nor any of its representatives should engage in any activity that subordinates the interests of the client to that of the Firm or its representatives. More specifically, our Code of Ethics, employee trading policy, and account review procedures are in place to ensure that clients are treated fairly and ethically, certain accounts are not favored over others, and trading activities are compliant with regulatory requirements. Please see Items 11 and 13 for additional information.

To avoid duplicating management fees for the portion of client accounts invested in the Fund, PIA does not charge a management fee on those assets (see Item 5.A for additional information). We also fully disclose our management fees and relationship with the Fund to our clients and prospective clients.

**D. Compensation from Third-Party Advisors**

PIA does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for clients.

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


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**A. Code of Ethics**

PIA maintains a Code of Ethics as required by law to help assure that clients' interests are put first. The Code of Ethics includes policies and procedures that prohibit the use of insider information. The Code of Ethics also includes policies on employee securities transactions in an effort to avoid potential conflicts of interest. PIA will provide a copy of the Code of Ethics to any client or prospective client upon request.

**B. Recommend Securities with Material Financial Interest**

As disclosed in Item 10, PIA's affiliate, Outfitter Financial Corp., serves as the investment manager to the Outfitter Fund. Furthermore, PIA and its principals, employees, and affiliates may own shares of the Outfitter



Fund. See Items 10.C and 11.C for additional information on how PIA addresses the conflicts that may arise in connection with recommending the Outfitter Fund to clients and personal trading.

### **C. Invest in Same Securities Recommended to Clients**

PIA and its employees may buy or sell securities for themselves that they also recommend to clients. This practice creates a potential conflict of interest as PIA and its employees may benefit from the sale and purchase of those securities. Front running, or the buying and selling of an illiquid security, by an employee in advance of client trades to achieve a better price is strictly prohibited. PIA addresses these conflicts of interest by having adequate policies and procedures in place that prohibit PIA and its employees from trading ahead of clients or in such a way to obtain a better price for themselves than for clients. PIA's personal trading policy is described below.

PIA has a personal trading policy in place to monitor the personal securities transactions and securities holdings of PIA and its employees. PIA's personal trading policy requires pre-clearance of transactions that involve the same securities held in client accounts. Generally, personal securities transactions will not be pre-cleared when an order for the same security is pending for client accounts. Additionally, employees of PIA must provide the Chief Compliance Officer with copies of their brokerage account statements or a written report of their current securities holdings. The intent of the preceding procedures is to detect prohibited activities and ensure that the best interests of clients are always served over that of PIA and its employees.

### **D. Buy/Sell Securities at Same Time as Clients**

PIA and its employees may buy or sell securities at, or around the same time those securities are recommended to clients. This practice creates a potential conflict of interest as PIA and its employees may benefit from the sale and purchase of those securities. As indicated above in Item 11.C, PIA has personal trading policies in place to monitor the securities transactions and securities holdings of PIA and its employees.

## **Item 12 - Brokerage Practices**

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### **A. Selecting Brokerage Firms**

In selecting or recommending broker-dealers to execute trades for client accounts, PIA will evaluate the overall value and quality of the services provided, including, but not limited to lowest transaction costs, ability to achieve best price, ease of administration, value of research provided, and other relevant factors. PIA will seek to use brokers that, in its professional judgment, offer the best overall combination of quality, breadth of services, and price.

PIA clients use the brokerage and custody services of several national brokerage firms, with the majority of them using Charles Schwab and Co., Inc. ("Schwab"). We typically recommend Schwab if our clients do not have a preference. The combination of low prices, administrative ease and trading scale supports the recommendation to utilize Schwab's custody and brokerage.

#### **1. Research and Other Soft Dollar Benefits.**

PIA engages in the investment industry practice of receiving soft dollar benefits from broker-dealers in connection with client securities transactions.

The term "soft dollars" refers to the receipt by an investment manager of products and services provided by brokers, without any cash payment by the investment manager, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the investment manager's clients. Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a "safe harbor" to investment managers who use commission dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities.

- a. PIA may use soft dollar credits generated by client brokerage transactions to pay for research and brokerage related services and expenses that PIA might otherwise have to bear or that otherwise benefit PIA.
  - b. Soft dollar arrangements with brokers can create an incentive for an investment manager to use these brokers based on an interest in receiving research and other products or services, rather than the client's interest in receiving the most favorable execution. As discussed in the previous section, PIA will use its best effort to obtain best execution for client transactions by seeking to use brokers that, in its professional judgment, offer the best overall combination of quality, breadth of services, and price.
  - c. PIA's use of soft dollar brokers may cause client accounts to pay more than the lowest available commission to clients in return for research and brokerage services received by PIA from those brokers.
  - d. PIA does not attempt to place a specific dollar value on the research and brokerage services it receives in return for client commissions or to allocate the costs and benefits between its client accounts, based on its belief that the services obtained assist the firm in carrying out its responsibilities to all clients. As a result, products and services may not be used for the benefit of the particular client whose account generated the brokerage commissions used to pay for the research.
  - e. The type of research products and services that PIA may obtain from brokers to which client brokerage transactions are directed may include research, analyses, opinions or other information, written or oral, on the geographic regions; domestic and foreign political developments; legal, accounting, or tax developments affecting portfolio companies or client investment strategies; pricing and appraisal services; credit, risk and performance measurements and analysis; and corporate governance issues. Computer equipment and services used for investment research and/or in connection with brokerage transactions may also be obtained.
  - f. PIA generally directs client transactions to particular broker-dealers in return for soft dollar benefits after evaluating the factors described at the beginning of this section. The Chief Compliance Officer will periodically review transactions and soft dollar compensation arrangements to ensure fairness and reasonableness to clients.
2. Brokerage for Client Referrals.  
PIA does not receive client referrals from broker-dealers.
3. Directed Brokerage.
- a. PIA does not routinely recommend, request, or require that a client direct the Firm to execute transactions through a specified broker-dealer.
  - b. PIA does permit clients to direct us to work with a particular broker for custody and trading of their accounts. In the event that a client directs PIA to use a particular broker-dealer, the client may be responsible for negotiating commission rates with that broker. Under such arrangements, the client may pay higher commissions than would have been paid had PIA had full discretion to select the broker of their choosing. PIA has no control over the commission rates these clients pay to their chosen broker/dealer nor does it have any control over the other factors that relate to best execution. Clients retain responsibility for obtaining best execution in their directed brokerage accounts.

## **B. Order Aggregation**

PIA may aggregate purchase and sale orders of investments held by the clients with similar orders being made simultaneously for other accounts or entities if, in PIA's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the clients based on an evaluation that the clients will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors.

## **Item 13 - Review of Accounts**

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### **A. Frequency of Reviews**

Client accounts are reconciled monthly to make sure that our internal portfolio tracking and reporting software is aligned with account activity and brokerage statements.

Each account is reviewed quarterly on a formal basis by the Chief Investment Officer and/or Chief Operating Officer as part of PIA's client reporting and billing cycle.

At least once per year, PIA's Chief Investment Officer reviews client accounts to make sure the portfolios are positioned according to client investment goals and restrictions.

### **B. Review Triggers**

Client accounts are reviewed regularly by PIA's Chief Investment Officer in light of emerging trends and developments in the stock and bond markets.

### **C. Regular Reports**

Following the end of each calendar quarter, clients receive reports that summarize investments and rates of return (net of fees). These reports are produced by our internal portfolio tracking and reporting software. Written commentary prepared by the Chief Investment Officer accompanies each client report, which typically discusses past activity and general market and economic trends.

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

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### **A. Economic Benefits from Third Parties**

As disclosed in Item 12.A.1, PIA receives soft dollar benefits from broker-dealers. Aside from these soft dollar benefits, PIA does not receive economic benefits from other third parties in exchange for providing investment advice or other advisory services to clients.

### **B. Third Party Solicitors**

PIA has entered into arrangements with third party solicitors whereby PIA shares a portion of the investment management fee charged to clients in exchange for client referrals. These arrangements do not result in higher costs to the referred clients. Pursuant to Rule 206(4)-3 of the Investment Advisers Act of 1940, PIA has executed a written agreement with each third party solicitor that requires the solicitors to comply with PIA's instructions and the Investment Advisers Act of 1940, and, at the time of the solicitation, provide prospective clients with a copy of PIA's Form ADV Part 2 and a separate written disclosure statement regarding the relationship between the solicitor and PIA ("Solicitor's Brochure"). Prior to executing the Investment Management Agreement with a referred client, PIA must obtain a signed and dated acknowledgement from the referred client evidencing receipt of PIA's Form ADV Part 2 and Solicitor's Brochure. Prior to compensating any person for client referrals, PIA will ensure that the person is properly registered or exempt from the relevant registration requirements.

## **Item 15 - Custody**

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Clients will receive, at least quarterly, an account statement produced and sent by the qualified custodian holding the client assets. Clients should carefully review statements received from the qualified custodian. The qualified custodian does not verify the accuracy of PIA's investment advisory fee. Therefore, clients are urged to compare account statements received from the qualified custodian with reports and invoices received from PIA.

## **Item 16 - Investment Discretion**

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PIA provides investment management services to clients on a discretionary basis. Clients who engage PIA may place limitations, in writing, on PIA's discretionary authority to the extent that the limitations do not adversely affect PIA ability to properly manage the account. Prior to PIA exercising discretionary authority in client accounts, the client is required to execute an Investment Management Agreement and Limited Power of Attorney, granting PIA full authority to supervise and direct the investments in the client's account.

## **Item 17 - Voting Client Securities**

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### **A. Authority to Vote Client Securities**

Unless otherwise requested by a client, PIA does not vote proxies on behalf of clients. In the event a client requests that PIA vote a proxy, PIA will vote in a manner that serves the best interests of the client, as determined by PIA's senior management in its discretion, taking into account the following factors and other such factors that may be proper under the circumstances:

- Whether the proposal is a routine proposal or a non-routine proposal;
- The impact the proposal will have on the value of the security, or on the value of the returns to the client's account or a fund;
- The costs associated with the proxy;
- The impact the proposal may have on the liquidity of the investment, or the redemption or withdrawal rights; and
- The impact the proposal may have on shareholder rights.

In case of a potential conflict of interest, a third party will be used to vote the proxies. PIA, using its discretion, may choose not to vote proxies on routine proposals if it finds that the benefits of voting are outweighed by the costs or expense of voting. Clients may direct PIA on how to vote their proxies by contacting us.

Clients can obtain information on how their proxies were voted by requesting such information from the Chief Compliance Officer. A copy of PIA's proxy voting policies and procedures is also available upon request.

### **B. Client Maintains Authority to Vote Client Securities**

Clients that maintain the authority to vote proxies on securities held in their accounts will receive their proxies or other solicitations directly from their custodian. Clients may contact PIA to discuss any questions regarding a particular solicitation.

## **Item 18 - Financial Information**

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### **A. Prepayment of Fees**

PIA does not require the prepayment of fees of more than \$1,200 per client, six months or more in advance.

### **B. Financial Condition**

PIA has no debt and maintains suitable liquidity to meet our contractual commitments to clients and employees.

### **C. Bankruptcy**

PIA has not been subject to a bankruptcy petition at anytime in its operating history.