

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

**PRUNEYARD FINANCIAL GROUP, INC.**

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03/19/2014

This brochure provides information about the qualifications and business practices of PruneYard Financial Group, Inc. (hereinafter "PFG", "our firm", or "we"). If you have any questions about the contents of this brochure, please contact us at 408-377-4444 or [sschumaker@pruneyardfinancial.com](mailto:sschumaker@pruneyardfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about PFG also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 117378.

## Item 2    Material Changes

This Firm Brochure, dated 03/19/2014, provides you with a summary of PFG's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform you of the revision(s) based on the nature of the information as follows.

1. *Annual Update:* We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.

However, PFG is not required to send such updated documents to our clients when there are no material changes to report since the filing of our most recent prior Brochure.

2. *Material Changes:* Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

There have been no material changes since our previous Firm Brochure, dated 03/08/2013.

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

## Item 4 Advisory Business

PFG is a SEC-registered investment adviser with our principal place of business located in Campbell, California. Registration as an investment adviser does not require and should not be interpreted to imply any particular level of skill or training. PFG was formed in 1995 and has been conducting advisory business since 1996. In 2000, an unaffiliated investment adviser, Denby & Company, merged their advisory practice into PFG resulting in the formation of a new entity. Pursuant to that restructuring, PFG's new registration was approved in 2001.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

- John Edward Masegian - President
- Sheldon Harlan Schumaker - Vice President, Secretary, CCO & CIO

PFG offers the following advisory services to our clients:

### PENSION CONSULTING SERVICES

We provide several advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.

*Investment Policy Statement Preparation (hereinafter referred to as "IPS"):*

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

*Selection of Investment Vehicles:*

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds (both index and managed) to determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.

*Monitoring of Investment Performance:*

We monitor client investments continually, based on the procedures and timing intervals delineated in the Investment Policy Statement. Although our firm is not involved in any way in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

*Employee Communications:*

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide quarterly educational support and investment workshops designed for the plan participants.

The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c).

The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

## **FINANCIAL PLANNING**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas of concern:

- *PERSONAL*: We review family records, budgeting, personal liability, estate information and financial goals.
- *TAX & CASH FLOW*: We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- *DEATH & DISABILITY*: We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- *RETIREMENT*: We analyze current strategies and investment plans to help the client achieve his or her retirement goals.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## **PFG MONEY MANAGEMENT PROGRAM**

PFG provides its discretionary and non-discretionary portfolio management services through the PFG Money Management Program (hereinafter the "Program").

PFG is the sponsor and investment manager of this wrap fee program. Clients participating in this program are provided with a separate disclosure brochure containing specific program details.

Clients and prospective clients interested in obtaining additional information may request a copy of PFG's Wrap Fee Program Brochure by contacting Sheldon Schumaker at 408-377-4444 or via email sent to [sschumaker@pruneyardfinancial.com](mailto:sschumaker@pruneyardfinancial.com).

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2013, we were actively managing \$118,017,000 of clients' assets on a discretionary basis plus \$33,200,000 of clients' assets on a non-discretionary basis. All asset management services are provided through the PFG Money Management Wrap Program.

## **Item 5 Fees and Compensation**

### **PENSION CONSULTING FEES**

Retirement plans fees are calculated as a percentage of plan assets under advisement and range from 0.35% (i.e., 35 bps) to 1.00% (i.e., 100 bps). Fees are determined based on the size and composition of plan assets as well as the nature and frequency of the services to be provided. All fees are agreed upon prior to entering into a contract with any client. PFG's fees are due and payable quarterly in arrears. Fee billing and payment terms are determined at the outset of the engagement according to one of the following options:

1. PFG sends an invoice for its fees to the plan sponsor which then pays the invoice;
2. PFG sends an invoice for its fees to the plan sponsor, which in turn allocates payment across participant accounts, or
3. the plan provider calculates the fees and pays PFG on behalf of the plan sponsor.

### **FINANCIAL PLANNING FEES**

PFG provides a segmented financial plan for a fixed fee of \$1,500.00. This fee is due and payable upon delivery of the financial plan.

### **GENERAL INFORMATION**

***Limited Negotiability of Advisory Fees:*** Although PFG has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under advisement, related accounts; account composition and reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. In addition, discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to PFG's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements and advisory fees will differ among clients.

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice.

***Mutual Fund Fees:*** All fees paid to PFG for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

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

PFG does not charge performance-based fees (fees based on a share of capital gains or capital appreciation of the client's assets).

## **Item 7 Types of Clients**

PFG provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations

As previously disclosed in Item 5, our firm has established certain minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.



**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

**Risk of Loss.** Clients should understand that investing in any securities, including mutual funds, involves risk of loss of both income and principal.

## **Item 9     Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary history to disclose.

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

In addition to being an SEC-registered investment adviser, PFG is also registered as an Accountancy Corporation in the State of California. Accordingly, management personnel and other employees, in their separate capacities as certified public accountants, may also provide tax planning and preparation services to advisory clients for separate yet customary compensation. PFG's accounting services do not include the authority to sign checks or otherwise disburse funds on any of our advisory client's behalf. Advisory clients are not under any obligation to engage these individuals for accounting services. Certain principals of PFG are solely engaged in providing accounting services, while other related persons providing these services may spend as much as 75% of their time with accounting activities.

PFG is not registered, nor does it have an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor. Furthermore, none of our management persons are registered or have pending applications to become registered as any of the foregoing entities.

Steven A. Schumaker, in his separate capacity, is licensed as an insurance agent for various insurance companies, and is able to purchase certain insurance products (including term life and annuity products) for advisory clients for which he receives separate, yet customary compensation. Clients, however, are not under any obligation to engage him when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. It is anticipated that he will spend less than 5% of his time engaged in this other activity.

Clients should be aware that the receipt of additional compensation by PFG and its management persons or employees creates a potential conflict of interest that may impair the objectivity of our firm and this individual when making advisory recommendations. To mitigate that conflict, PFG has adopted policies that exclude the value of any insurance products obtained through Mr. Schumaker acting as insurance agent, from PFG's calculation of advisory fees, thereby preventing clients from paying multiple fees on those holdings.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

PFG and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

PFG's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [sschumaker@pruneyardfinancial.com](mailto:sschumaker@pruneyardfinancial.com), or by calling us at 408-377-4444.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.

4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), a principal of our firm is separately registered as a securities representative of an unaffiliated broker-dealer, and licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

PFG does not have any soft-dollar arrangements and does not receive any commissions or other revenue from brokerage firms.

As previously disclosed in Item 4, PFG's asset management services are provided through the wrap fee program we sponsor (i.e., the PFG Money Management Program). PFG has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides PFG with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services.

PFG is independently operated and owned and is not affiliated with Fidelity.

Advisory clients participating in the Program are required to direct us to custody their assets with and to place trades through Fidelity as a condition for participation in the PFG Money Management Program. Clients and prospective clients interested in obtaining additional information may request a copy of PFG's Wrap Fee Program Brochure by contacting Sheldon Schumaker at 408-377-4444 or via email sent to [sschumaker@pruneyardfinancial.com](mailto:sschumaker@pruneyardfinancial.com).

### **PENSION CONSULTING SERVICES**

PFG does not arrange for the execution of securities transactions for pension plans as a part of this service. The client is responsible for the implementation of securities transactions for these accounts.

## **FINANCIAL PLANNING SERVICES**

Our financial planning services do not include implementation of plan recommendations. Clients are required to select their own broker dealers and insurance companies for the implementation of financial planning recommendations. PFG has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides our firm with their "platform" services. Please refer to PFG's Wrap Fee Program Brochure for information regarding the services provided by Fidelity to PFG and Program participants.

The factors we consider when making a recommendation are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, and the broker's financial strength, among other factors. PFG's financial planning clients may use any broker or dealer of their choice.

### **Item 13    Review of Accounts**

#### **PENSION CONSULTING SERVICES**

**REVIEWS:** PFG will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. PFG will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Generally, PFG will conduct an informal review of plan holdings on a quarterly basis, and will conduct a comprehensive review of the plan on at least an annual basis. The comprehensive annual review will be conducted in concert with the plan provider.

These accounts are reviewed by the members of the firm's investment committee: Sheldon H. Schumaker, Vice President of PFG, and John D. Masegian and Steven A. Schumaker, Investment Adviser Representatives of PFG.

**REPORTS:** These client accounts will receive reports as contracted for at the inception of the advisory relationship. At least annually, a member(s) of the investment committee will meet directly with the plan sponsor to provide a summary following PFG and the plan provider's comprehensive review. In addition, the plan TPA provides the plan sponsor with a written summary report.

#### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no additional formal reviews are conducted for Financial Planning clients unless otherwise contracted for.

These reviews will be provided by a member of the firm's investment committee.

**REPORTS:** Financial Planning clients receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

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

### **CLIENT REFERRALS**

It is PFG's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

### **OTHER COMPENSATION**

It is also our firm's policy not to accept or allow our related persons to accept any form of incentive compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, 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.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. PFG has no such additional financial circumstances to report.

PFG has never been the subject of a bankruptcy petition.

**Part 2A Appendix 1 of Form ADV: *Wrap Fee Program Brochure***

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Email: [sschumaker@pruneyardfinancial.com](mailto:sschumaker@pruneyardfinancial.com)

**PFG Money Management Program**

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However, PFG is not required to send such updated documents to our clients when there are no material changes to report since the filing of our most recent prior Brochure.

2. *Material Changes:* Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

There have been no material changes since our previous Wrap Fee Program Brochure, dated 03/08/2013.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Services, Fees and Compensation	4
Item 5	Account Requirements and Types of Clients	7
Item 6	Portfolio Manager Selection and Evaluation	7
Item 7	Client Information Provided to Portfolio Managers	10
Item 8	Client Contact with Portfolio Managers	11
Item 9	Additional Information	11

## Item 4 Services, Fees and Compensation

### SERVICES

PFG is a SEC-registered investment adviser with our principal place of business located in Campbell, California. Registration as an investment adviser does not require and should not be interpreted to imply any particular level of skill or training. PFG was formed in 1995 and has been conducting advisory business since 1996. In 2000, an unaffiliated investment adviser, Denby & Company, merged their advisory practice into PFG resulting in the formation of a new entity. Pursuant to that restructuring, PFG's new registration was approved in 2001.

We sponsor the PFG Money Management Program (the "Program"), a wrap fee program. A wrap fee program is an advisory program under which a specified fee or fees not based directly on transactions in the client's account is charged for advisory services, which may include portfolio management or advice concerning the selection of other investment advisers, and the execution of client transactions.

This Wrap Fee Program Brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program. For a complete description of the other services and fees offered by our firm, clients should refer to our Form ADV Part 2: Firm Brochure.

You may obtain a copy of our Firm Brochure by contacting Sheldon Schumaker at 408-377-4444 or via email sent to [sschumaker@pruneyardfinancial.com](mailto:sschumaker@pruneyardfinancial.com).

### SEPARATELY MANAGED ACCOUNT ("SMA") PROGRAM

Clients participating in the PFG Money Management Program receive continual advice regarding the investment of their funds based on their individual needs. Through personal discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's personal investment policy which serves as the basis for managing the client's portfolio. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

As sponsor and investment manager of the PFG Money Management Program, we have designed this program to connect our firm's clients with professional in-house portfolio managers and investment vehicles suitable for their financial circumstances and investment objectives. Our firm actively solicits advisory clients for the Program. We are also responsible for the marketing of the Program.

We manage Program accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

**Types of Securities.** Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. PruneYard has three absolute criteria governing the types of securities that will be included in a client's managed portfolio:

1. the security must be traded on a U.S. Exchange;
2. it must be valued in U.S. dollars; and

3. it must be liquid

According, and as appropriate to the needs of the client, the following types of securities may be utilized in the client's portfolio:

<u>Equities</u>	<u>Fixed-Income</u>	<u>Mutual Funds</u>	<u>Other</u>
Listed/OTC	Corporate Bonds	No-load	Variable Life Insurance
Preferred	U.S. Treasuries	Load-Waived	Variable Annuities
ADRs	Mortgage-backed	Money Market	
Closed-end funds	Unit Investment Trusts		
REITs	Municipal Bonds		
ETFs	Certificates of Deposit		
Options Contracts			

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

### PROGRAM FEES

Our annual Program fees are negotiated on a client-by-client basis and may range from 0.35% to 1.50%. Client facts, circumstances and needs will be considered in determining the fee schedule; including the complexity of the client, assets to be placed under management, portfolio style, reports and other factors. For example, fees for portfolios comprised solely of mutual funds will typically be around 1.00%; while fees for more complex accounts that are actively traded may be as high as 1.50%. Accounts in which there is no trading typically will be excluded from PFG's fee calculations. The specific annual fee schedule will be identified in the contract between the adviser and each client.

As authorized by the client, fees will be directly deducted from the client's investment account(s), or will be invoiced to the client by PFG. Fees are billed in advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter. Account contributions or withdrawals of \$10,000 or more are taken into consideration and the fees are adjusted on a pro-rata basis.

***How are Fees Charged?*** Program fees are charged quarterly in arrears. When authorized by the client, fees will be debited from the account in accordance with the terms set forth in the Investment Management Agreement ("IMA").

***What services are covered by the Program fees?*** The Program fees pay for our firm's advisory services to clients under the Program, administrative expenses of the Program, custody charges and execution of transactions for clients' assets custodied at Fidelity.

***What services are not covered by the Program fees?*** As more fully disclosed below, the Program fees do not include expenses of mutual funds and electronically traded funds such as fund management fees charged to each fund's investors.

***Other Fees and Expenses.*** Clients may incur charges for other account services provided not directly related to the execution and clearing of transactions, including, but not limited to, wire transfer fees, interest charges on margin loans, exchange fees, and fees for account closing or transfers.

***Additional Information about Program fees.*** Under the Program, the participant receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified Program Fee. Clients are cautioned that depending on the level of fees charged by the executing broker-dealer, and the amount of portfolio activity in the clients' account, the value of the services provided under this Program may exceed the total cost of such services had they been provided separately. In addition, the Program Fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs.

## GENERAL INFORMATION

***Termination of the Advisory Relationship.*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice.

***Mutual Fund Fees.*** All fees paid to PFG for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Exchange-Traded Funds.*** Shares of ETFs held in client accounts are bought and sold on an exchange and not, like mutual funds, directly from the fund itself. The price of ETF shares fluctuates in accordance with changes in the net asset value (NAV) per share, as well as in response to market supply and demand. Accordingly, ETF shares may trade at a price which differs from NAV per share of the ETF.

***Grandfathering of Minimum Account Requirements.*** Pre-existing advisory clients are subject to PFG's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***Advisory Fees in General.*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees.*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

## COMPENSATION

It is PFG's policy not to engage solicitors or to pay related or non-related persons for referring potential wrap program clients to our firm.

## **Item 5 Account Requirements and Types of Clients**

### **MINIMUM ACCOUNT REQUIREMENTS**

**Minimum Account Requirements.** A minimum of \$100,000 of assets under management is required for discretionary accounts participating in the Program. This minimum may be negotiable under certain circumstances. There are no minimum account requirements for non-discretionary accounts.

PFG Money Management Program clients must direct us as to the broker-dealer/custodian to be used in managing their account. PFG has negotiated an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") to provide custodial and brokerage services as part of the Program. Fidelity is an unaffiliated FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. As a condition for program participation, clients are required to direct us to custody their assets with and to place trades through Fidelity. Please refer to the "Other Financial Industry Activities and Affiliations" section of Item 9 for additional information.

### **TYPES OF CLIENTS**

PFG provides advisory services in the PFG Money Management Program, where appropriate, to:

- Individuals
- High net worth individuals
- Trusts
- Estates
- Charitable Organizations
- Pension & Profit Sharing Plans

## **Item 6 Portfolio Manager Selection and Evaluation**

### **PORTFOLIO MANAGER SELECTION**

As previously disclosed, all participating clients' assets are managed by advisory personnel of our firm. These individuals must possess, minimally, a college degree and/or appropriate business experience and all required licenses. Please refer to Item 4 for detailed disclosures regarding the portfolio management services we provide to program clients.

### **PORTFOLIO PERFORMANCE REPORTING**

PFG calculates the performance of all participating accounts based on standards drawn from industry sources, including the CFA Institute's Global Investment Performance Standards ("GIPS"). Performance is currently calculated by taking into account at least the following items: a time-weighted rate of return; cash flows into and out of the accounts; monthly valuations; and income accrued on fixed income securities.

As noted above under Services, Fees and Compensation (Item 4), PFG has partnered with Fidelity to provide brokerage, custodial and other services for the Program. As part of such other services, portfolio performance reporting is provided by Fidelity to Program participants.

## **AFFILIATED PORTFOLIO MANAGERS**

As previously disclosed, all client assets in this program are managed by our portfolio managers. Please refer to Item 4 for a detailed description of PFG Money Management Program's services and fees.

## **PERFORMANCE-BASED FEES**

PFG does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation of the client's assets).

## **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.



We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

***Risk of Loss.*** Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal.

## VOTING CLIENT SECURITIES

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, 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.

## Item 7 Client Information Provided to Portfolio Managers

Individuals affiliated with our firm are responsible for developing an initial financial profile of the prospective client. Prior to opening an account, we assist in determining a participant's profile for the Program by obtaining from the participant appropriate information (i.e., investment objectives, risk tolerance, time horizon, and any reasonable restrictions the client wishes to impose upon the management of the account). Initial investment strategy is jointly determined based on an assessment of the information provided by the client.

While we provide the client with periodic reminders, it remains the client's responsibility to advise us of any changes to the information previously provided that might impact the ongoing suitability of any prior determined investment strategy(ies) and/or objectives. We will promptly communicate any reported changes to the client's portfolio manager.

PFG's investment adviser representative will directly contact each wrap fee program client at least annually to verify that there has been no change in the client's financial circumstances and/or investment objectives, and determine whether the client wishes to impose any reasonable restrictions on the management of the account(s). Any such changes or requests are communicated in writing to the client's portfolio manager, who is responsible for implementing appropriate adjustments to the client's portfolio.

## **Item 8 Client Contact with Portfolio Managers**

PFG promotes open lines of communication between the Portfolio Manager(s) and our clients, encouraging the Manager's accessibility to remain available to our clients to discuss investment philosophy, objectives and to answer client questions.

## **Item 9 Additional Information**

### **DISCIPLINARY INFORMATION**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

In addition to being an SEC-registered investment adviser, PFG is also registered as an Accountancy Corporation in the State of California. Accordingly, management personnel and other employees, in their separate capacities as certified public accountants, may also provide tax planning and preparation services to advisory clients for separate yet customary compensation. PFG's accounting services do not include the authority to sign checks or otherwise disburse funds on any of our advisory client's behalf. Advisory clients are not under any obligation to engage these individuals for accounting services. Certain principals of PFG are solely engaged in providing accounting services, while other related persons providing these services may spend as much as 75% of their time with accounting activities.

PFG is not registered, nor does it have an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor. Furthermore, none of our management persons are registered or have pending applications to become registered as any of the foregoing entities.

Steven A. Schumaker, in his separate capacity, is licensed as an insurance agent for various insurance companies, and is able to purchase certain insurance products (including term life and annuity products) for advisory clients for which he receives separate, yet customary compensation. Clients, however, are not under any obligation to engage him when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. It is anticipated that he will spend less than 5% of his time engaged in this other activity.

Clients should be aware that the receipt of additional compensation by PFG and its management persons or employees creates a potential conflict of interest that may impair the objectivity of our firm and this individual when making advisory recommendations. To mitigate that conflict, PFG has adopted policies that exclude the value of any insurance products obtained through Mr. Schumaker acting as insurance agent, from PFG's calculation of advisory fees, thereby preventing clients from paying multiple fees on those holdings.

As previously disclosed, clients are required to direct us to custody their assets with and to place trades through Fidelity as a condition for participation in the PFG Money Management Program.

PFG has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides PFG with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist us in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help PFG manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom PFG may contract directly.

PFG is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients 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 Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

In the PFG Money Management Program, however; PFG absorbs all such fees and expenses.

PFG blocks trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price.

#### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

PFG and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

PFG's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [sschumaker@pruneyardfinancial.com](mailto:sschumaker@pruneyardfinancial.com), or by calling us at 408-377-4444.

PFG and individuals associated with our firm cannot engage in principal transactions. In addition, PFG and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.

5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

As previously disclosed, a related person of our firm is licensed as an insurance agent/broker of various insurance companies. Please refer to the preceding section for a detailed explanation of these relationships and important conflict of interest disclosures.

#### **REVIEW OF ACCOUNTS**

**REVIEWS:** While the underlying securities within Program accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines.

Reviews are also triggered if there is a 15% decrease in value of an individual security or a significant event which impacts an issuer of a security held in clients' accounts. PFG has an investment policy committee comprised of Sheldon H. Schumaker, Vice President of PFG, and John D. Masegian and Steven A. Schumaker, Investment Adviser Representatives of PFG. In addition to conducting specific periodic reviews of client accounts, this committee also conducts reviews of securities and mutual funds.

At least annually, we meet with the client (either in person or over the phone) to review and update, as necessary, the client's investment profile. However, should there be any material change in the client's personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision of the client's investment profile is warranted.

**REPORTS:** Clients receive trade confirmations for each transaction effected in an account. Clients with active accounts receive monthly statements and clients with relatively inactive accounts receive quarterly statements. Clients also receive from PFG quarterly account analyses, which set forth the internal rate of return, realized gains or losses and an income summary.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **CLIENT REFERRALS**

It is PFG's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

### **OTHER COMPENSATION**

It is also our firm's policy not to accept or allow our related persons to accept any form of incentive compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **FINANCIAL INFORMATION**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement as part of this brochure.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. PFG has no such additional financial circumstances to report.

PFG has never been the subject of a bankruptcy petition.