

# Wrap Fee Brochure

March 21, 2014

## **PKS Advisory Services, LLC**

*a Registered Investment Adviser*

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This wrap fee brochure provides information about the qualifications and business practices of PKS Advisory Services, LLC (hereinafter "PKSA"). If you have any questions about the contents of this brochure, please contact Keith Flood at (518) 426-5791. 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 PKS Advisory Services, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

PKS Advisory Services, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since PKSA's last annual update dated March 25, 2013. PKSA does not have any material changes to disclose in this Item.

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## Item 4. Services, Fees, and Compensation

The Mutual Fund Consulting Program (the “Program”) is an investment advisory program sponsored by PKSA. The Program provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges.

To join the Program, a client must:

- (1) Complete an investor profile that describes the client’s financial needs, investment objectives, time horizon, and risk tolerance, as well as any other factors relevant to the client’s specific financial situation and any other supporting documentation the Program requires;
- (2) Complete the investment advisory wrap fee agreement (the “*Agreement*”) with PKSA;
- (3) Complete a new account agreement with Fidelity Institutional Wealth Services (“*Fidelity*”), Charles Schwab & Co., Inc. (“*Schwab*”) or another broker dealer PKSA approves for participation in the Program (“*Financial Institution*”); and
- (4) Open a securities brokerage account with the *Financial Institution* and deposit those assets designated for participation in the Program into the account.

After an analysis of any information provided by the client to PKSA, PKSA assists the client in developing an appropriate investment strategy for the assets in their accounts. Thereafter, all clients are encouraged to discuss their needs, goals, and objectives with PKSA and to keep PKSA informed of any changes thereto. PKSA contacts ongoing clients at least annually to review its previous services and/or recommendations and to determine whether changes should be made to their investment strategy.

### Management of Your Portfolio

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Clients in the Program grant PKSA non-discretionary authority to buy, sell, and otherwise trade in mutual funds, and to liquidate previously-purchased securities that the client has transferred to their accounts. The assets in the Program are managed by PKSA.

### Fees for the Program

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Clients in the Program pay a single annualized fee for participation in the Program (the “*Program Fee*”). The *Program Fee* is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by PKSA under the Program on the last day of the previous quarter. The *Program Fee* varies (between 0.50% and 2.00%), depending upon the market value of the assets under management and the type of investment management services rendered.

PKSA, in its sole discretion, may negotiate to charge a lesser *Program Fee* based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## Fee Comparison

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Under the Program, clients receive both investment advisory services and the execution of transactions for a single, combined annualized fee, the *Program Fee*. Participation in the Program may cost the client more or less than purchasing such services separately. The number of transactions made in the client's accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. The *Program Fee* may be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

## Other Charges

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Clients may incur certain charges imposed by third parties in addition to the *Program Fee* such as charges imposed directly by a mutual fund in the account, which is disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

## Item 5. Account Requirements and Types of Clients

The Program participants are generally individuals. However, the firm may also provide advice to pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

## Minimums

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PKSA does not impose a minimum portfolio size or minimum annual fee to participate in the Program.

## Item 6. Portfolio Manager Selection and Evaluation

### Advisory Business

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PKSA's philosophy centers on a belief that each client has specific investment needs, and that these needs can only be met by a careful study of their particular profile. Founded in October 2001, PKSA provides financial planning, consulting, and investment management services to its clients. PKS Holdings, LLC is the principal owner of PKSA. Keith Flood is the President of the firm.

PKSA acts as the sole sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities, which may involve additional conflicts of interest that the sponsor would be required to disclose in this section. Due to the fact that the firm acts as sole sponsor and manager, PKSA has no additional disclosures to make. Certain of the firm's investment adviser representatives are responsible for the day-to-day management of the Program.

PKSA has \$538,121,305 of assets under management as of December 31, 2013. \$447,636,318 of these assets are managed on a discretionary basis, and \$90,484,987 are managed on a non-discretionary basis

This Wrap Fee Brochure describes the business of PKSA. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of PKSA's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on PKSA's behalf and is subject to PKSA's supervision or control.

### **Performance-Based Fees and Side-by-Side Management**

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PKSA does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

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As part of its services, PKSA conducts an initial assessment using a client profile/questionnaire to ascertain pertinent information such as the client's risk tolerance, investment objectives, financial condition and time horizon. After analyzing this information, PKSA may recommend the Program.

When determining an appropriate asset allocation for its clients, PKSA generally uses a combination of fundamental and technical analysis. Fundamental analysis involves the fundamental financial condition and competitive position of a company. PKSA will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that PKSA will be able to accurately predict such a reoccurrence.

The Program generally invests client assets in mutual funds.

### **Risks of Loss**

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#### *General Risk of Loss*

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

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Management Through Similarly Managed Accounts*

The firm generally manages portfolios by allocating portfolio assets among various mutual funds using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, the firm buys, sells, exchanges and/or transfers shares of mutual funds based upon the *investment strategy*.

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

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to PKSA's clients may be limited. For example, various

mutual funds or insurance companies may limit the ability of PKSA to buy, sell, exchange or transfer securities consistent with its *investment strategy*. As further discussed in response to Item 12B (below), PKSA allocates investment opportunities among its clients on a fair and equitable basis.

### *Use of Margin*

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

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

### **Voting of Client Securities**

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PKSA is required to disclose if it accepts authority to vote client securities. PKSA does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

## **Item 7. Client Information Provided to Portfolio Managers**

PKSA acts as the sponsor and portfolio manager to the Program. Certain wrap programs involve the services of multiple parties in these capacities. In those circumstances, the sponsor is required to disclose how and what type of information about client that it provides to portfolio managers. PKSA has no disclosures to make under this section.

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

There are no restrictions on a clients' ability to contact and consult with PKSA.



## Item 9. Additional Information

### Disciplinary Information

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PKSA is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. PKSA does not have any required disclosures to this Item.

### Other Financial Industry Activities and Affiliations

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#### *Related Broker Dealer*

PKSA is under common control and ownership with Purshe Kaplan Sterling Investments, Inc. ("*PKS*"), an SEC registered broker-dealer and member of FINRA. In addition, certain of the *Supervised Persons* of PKSA are also registered representatives of *PKS*, and in their individual capacities, may effect securities brokerage transactions on a commission basis, including transactions for PKSA's investment advisory clients, as authorized. The principal place of business of PKSA is the same as that of *PKS*.

In the event clients desire, they can engage certain persons associated with PKSA (but not PKSA) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with PKSA. Under this arrangement, clients may implement securities transactions through certain of PKSA's *Supervised Persons* in their respective individual capacities as registered representatives of *PKS*. *PKS* may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by *PKS* to such *Supervised Persons*. As stated above, prior to effecting any transactions clients are required to enter into a new account agreement with *PKS*. The brokerage commissions charged by *PKS* may be higher or lower than those charged by other broker-dealers. In addition, certain of PKSA's *Supervised Persons* may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. PKSA may recommend no-load funds.

A conflict of interest exists to the extent that PKSA recommends the purchase of securities where PKSA's *Supervised Persons* receive commissions or other additional compensation as a result of PKSA's recommendations. PKSA has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

For accounts subject to ERISA's prohibited transaction rules (and such others that PKSA, in its sole discretion deems appropriate), PKSA provides its investment advisory services on a fee-offset basis. In this scenario, PKSA may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by PKSA's *Supervised Persons* in their individual capacities as registered representatives of *PKS*.

### *Receipt of Insurance Commissions*

PKS Holdings, LLC, the sole member of PKSA is also the sole shareholder of PKS Financial Services, Inc. (“PKSFS”). PKSFS is an insurance agency licensed in all states in which it conducts business. Certain of PKSA’s *Supervised Persons*, in their individual capacities, are also licensed insurance agents with PKSFS and various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While PKSA does not sell such insurance products to its investment advisory clients, PKSA does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that PKSA recommends the purchase of insurance products where PKSA’s *Supervised Persons* receive insurance commissions or other additional compensation.

### **Code of Ethics**

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PKSA and persons associated with PKSA (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with PKSA’s policies and procedures.

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

Unless specifically permitted in PKSA’s *Code of Ethics*, none of PKSA’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of PKSA’s clients.

When PKSA is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when PKSA is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii)

shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact PKSA to request a copy of its *Code of Ethics*.

### **Review of Accounts and General Reports**

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PKSA monitors assets as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* for assets. Participants may also receive a report from PKSA that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as clients may request from time to time. Clients should compare the account statements they receive from the *Financial Institutions* with those they receive from PKSA. PKSA may impose an additional fee for this enhanced reporting.

### **Client Referrals and Other Compensation**

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PKSA may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed below.

PKSA may receive from *Fidelity*, *Schwab*, and *PKS* without cost to PKSA, computer software and related systems support, which allow PKSA to better monitor client accounts maintained at these companies. PKSA may receive the software and related support without cost because PKSA renders investment management services to clients that maintain assets at these firms. The software and support is not provided in connection with securities transactions of clients (i.e. not “soft dollars”). The software and related systems support may benefit PKSA, but not its clients directly. In fulfilling its duties to its clients, PKSA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that PKSA’s receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence PKSA’s choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, PKSA may receive the following benefits from *Fidelity* and *Schwab* through the Fidelity Institutional Wealth Services Group and Schwab Institutional division, respectively: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services Group and Schwab Institutional division participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

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

### **Financial Information**

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PKSA does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, PKSA is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. PKSA has no disclosures pursuant to this Item.

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