



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

**The Pacific Financial Group**

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**This Disclosure Brochure provides information about the qualifications and business practices of The Pacific Financial Group (hereinafter “TPFG”). If you have any questions about the contents of this brochure, please contact Y. Jill Dildine, Chief Compliance Officer at 425.451.7722 or [tpfg@tpfg.com](mailto:tpfg@tpfg.com). The information in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Any references to or use of the terms “registered investment advisor” or “registered”, does not imply TPFG or any person associated with TPFG has achieved a certain level of skill or training.**

**Additional information about TPFG 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. The CRD number for TPFG is 105203.**

## **Item 2. Summary of Material Changes**

The purpose of this page is to inform you of any material change since the last annual update to our Disclosure Brochure. If you are receiving this Disclosure Brochure for the first time, this section may not be relevant to you.

The Pacific Financial Group, Inc. (“TPFG”, “we”, “firm”, “our”, or “us”) reviews and updates our Disclosure Brochure at least annually to confirm that it remains current. Below is a summary of the changes made to our Disclosure Brochure since the last update.

### **Material Changes**

There were no material changes made to this Disclosure Brochure since the last distribution of the Brochure to clients, on October 5th, 2017.

### **Non-Material Changes**

The total amount of Discretionary assets under our firm’s management is \$2,285,432,799 as of December 31, 2017 and Non-Discretionary assets under our firm’s management were \$42,428,383 as of the same date.

In addition, portions of the Disclosure Brochure were reorganized and simplified, for the convenience of the reader.

**Item 3.****Table of Contents**

<b>Item</b>	<b>Section</b>	<b>Page Number</b>
1.	Cover Page	1
2.	Material Changes	2
3.	Table of Contents	3
4.	Advisory Business	4
5.	Fees and Compensation	10
6.	Performance-Based Fees and Side-by-Side Management	14
7.	Types of Clients	14
8.	Methods of Analysis, Investment Strategies and Risk of Loss	15
9.	Disciplinary Information	19
10.	Other Financial Industry Activities and Affiliations	19
11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	22
12.	Brokerage Practices	23
13.	Review of Accounts	31
14.	Client Referrals and Other Compensation	32
15.	Custody	35
16.	Investment Discretion	36
17.	Voting Client Securities	36
18.	Financial Information	37

#### **Item 4. Advisory Business**

TPFG is a Registered Investment Adviser in the State of Washington with its principal place of business located in Bellevue, Washington. The Pacific Financial Group, Inc. was founded in 1984. Megan P. Meade and Nicholas B. Scalzo act as CO-CEO for the firm. Our boutique firm is structured to provide quality, professional investment advice and excellent service to each client.

In September 2017, TPFG was reorganized. TPFG is now a wholly owned subsidiary of The Pacific Holdings Group, LLC, a Washington State limited liability company ("Pacific Holdings"). ProTools, LLC ("ProTools"), a technology company that created RiskPro®, and Pacific Financial Group, LLC ("PFG"), a California based investment advisor registered with the SEC, are also wholly owned subsidiaries of Pacific Holdings. Megan Meade, the Co-Chief Executive Officer of TPFG and PFG, is the owner of more than 25% of the Membership Interests in Pacific Holdings.

Management of Pacific Holdings is under the control of Megan Meade, Co-Chief Executive Officer; James McClendon, Managing Member; Nicholas Scalzo, Co-Chief Executive Officer; and Gaetan Scalzo, Managing Member.

As an active money manager, our portfolio management team evaluates and incorporates a broad spectrum of investment tools, including but not limited to Exchange Traded Funds (ETFs), Stocks, Bonds and Mutual Funds. We offer an array of portfolios available as Separately Managed Accounts, Managed Portfolios, Variable Annuity Optimization, Self-Directed Brokerage Account Management as well as Core Retirement Plan Management. We also offer a multi-strategy program. We work strategically with professional financial advisors to help their clients achieve their financial goals.

#### **Individual Portfolio Management**

Our firm generally provides investment advisory services to individuals, trusts and companies that are referred to us by other financial professionals; generally Broker/Dealers, Registered Investment Advisors or Registered Representatives.

The referring financial professional provides continuous advice or assistance to the client regarding the investment of client funds based on the individual needs of the client. The professionals have personal discussions in which goals and objectives based on a client's particular circumstances are established. The data gathering process is conducted by the referring financial professional and is used to determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. The professionals also have the client complete a TPFG Risk Analysis/ Investment Election Form as well as review and discuss a client's prior investment history, family composition and background. The client, typically with the financial professional's assistance, then selects a mix of TPFG's investment

offerings that best meet the client's goals and risk temperament. In addition, TPGF has recently formed a relationship with ProTools, LLC, developer of RiskPro®, an affiliate of TPGF, which is distributed by PFG, also an affiliate of TPGF, to better support our clients when working with their financial professionals, and to assist TPGF's Portfolio Managers in making better risk-based decisions. RiskPro® is an online reporting tool that assists in determining the client's "Risk Profile" and helps construct portfolios that are designed to be aligned with the client's Risk Profile. Our approach to investment management is what we characterize as "Rational Management". We use Fundamental, Technical and Quantitative Investment Analysis blended into what we believe is a rational approach to inter-disciplinary investment decision making.

We manage these advisory accounts on a discretionary basis (with a few exceptions). Account supervision is guided by the client's Risk Profile – that is, the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as risk concerns as determined by the client, with the assistance of RiskPro®.

### **We offer Five Different Management Options & Investment Strategies:**

**Separately Managed Accounts (SMA's):** We offer 7 Separately Managed Accounts. This palate of accounts is designed to offer the maximum flexibility to higher net worth clients that desire a maximum in options in their investment decision making. These portfolios are:

- Custom Bond
- Income – Cash Yield
- Absolute Return
- Balanced
- Balanced Tax Managed
- Equity
- Equity Tax Managed

By mixing and blending these accounts a wide range of risk, investment return and tax goals may be met.

Though it can accommodate a minimum investment of \$100,000 at Charles Schwab & Co, Inc. and Pershing, LLC as a custodian and a \$50,000 minimum at TD Ameritrade, many advisors find this option ideal for clients with investable assets of more than \$1,000,000.

**Managed Portfolios (MP's):** The Managed Portfolios consisting of Pacific Financial Group Mutual Funds, a new group of mutual funds managed by PFG, an affiliate of TPGF ("New Pacific Funds") was introduced in September of 2017. Each of the Pacific Funds is a fund of funds. In managing the level of investment risk of each of the Pacific Funds, PFG intends to use RiskPro®, a software

technology tool developed by its affiliate, ProTools, LLC. Based on proprietary algorithms, RiskPro® provides an estimate of the maximum range of gain or loss of a portfolio of securities over a forward-looking rolling twelve-month period. The higher the RiskPro® estimate, the greater the level of volatility that the Fund may experience over a twelve-month period. As a result, investors should consider investments that are designed to be aligned with their level of comfort with investment risk.

For several of the Pacific Funds, PFG will use research services provided by an independent asset manager. This approach will result in some of the Pacific Funds investing at least 80% of the Fund's net assets in mutual funds advised by a single asset manager, increasing the investment risk of that Fund. In addition, PFG will use TPF's proprietary investment analysis called "Rational Analysis™." For information about the investment objectives, risks, and charges and expenses of each of the Pacific Funds, please review the Prospectus, which contains this and other important information. To obtain a copy of the Prospectus for the Pacific Funds, please contact TPF at 888-451-TPFG or visit [www.TPFG.com](http://www.TPFG.com).

The Managed Portfolios are:

- Conservative
- Moderate Conservative
- Moderate
- Moderate Aggressive
- Aggressive

TPFG also allows Financial Intermediaries serving as Solicitors or Co-Advisors to construct customized portfolios, consisting of one or more of the New Pacific Funds ("Customized Portfolios"), for their clients, so long as the Customized Portfolio is consistent with the client's Risk Profile.

**Variable Annuity Optimization (VAO):** This option uses sophisticated analytical processes to accurately define variable annuity sub-accounts and arranges these sub-accounts into portfolios that meet the client's investment and risk needs while staying sensitive to the ongoing fixed income and equity market. The benchmarks for these portfolios are unique to each variable annuity company because the limited number of available sub-accounts usually prohibits a valid comparison to the United States Broad Equity of Fixed Income Market. The Portfolios we make available are:

- Moderately Conservative (Jackson National, Hartford and Nationwide only)
- Asset Allocation (formally Moderate Portfolio)
- Strategic Equity (formally Moderately Aggressive Portfolio)
- Moderate Equity + Alternatives Model (Jackson National only)

- Asset Allocation Model (Pacific Life only)

The minimum investment amount of \$10,000 is suggested.

**Retirement Plan Management (RPM):** This option is ideal for 401(k), 403(b), 401(a), or 457 plans that are held at various custodians. TPFG offers turnkey and custom plans using the mutual funds and/or assets classes offered by the sponsoring company. TPFG accepts full fiduciary responsibility for managing accounts. Further, TPFG provides a legal safe harbor as defined by the applicable sections of the ERISA federal retirement law and the Internal Revenue Service Code. The Portfolios we make available are:

- Conservative
- Moderately Conservative
- Asset Allocation (formally Moderate Portfolio)
- Strategic Equity (formally Moderately Aggressive Portfolio)
- Global Retirement (formally Aggressive Retirement Portfolio)

For TIAA-CREF Accounts only: Due to sub-account limitations, we are able to offer Moderate and Moderately Aggressive only.

Conservative, Moderate Conservative and Global Retirement are only available at select custodians.

TPFG serves as a fiduciary in both a 3(38) and 3(21) capacity. When TPFG is managing ALL the Plan assets, we are a 3(38) fiduciary. We offer a robust menu of options for the participants to choose from, typically consisting of Separately Managed Accounts as the available investment options. When acting as a 3(38) fiduciary, we do NOT offer investment advice through a Brokerage Window.

When managing participant retirement assets within a Brokerage Window (SDO or SDBA), we are a 3(21) Investment Advisor under ERISA. In this role we would not be a 3(38) Designated Investment Manager for the plan because we are not hired by the plan to manage the investment menu or make the investment selections. The “Service Provider” that offers the Brokerage Window (SDO) is the fiduciary as described in 408(b)(2) and the DOL’s FAB 2012R. When we are hired by the individual plan participant, we are Fiduciaries under 3(21) and we accept this responsibility and detail it in our investment management agreement with each retirement participant.

TPFG is an SEC Registered RIA and has always met a Fiduciary Standard for our clients (defined in our Investment Management Agreement). With regard to meeting a Fiduciary Standard to the plan as a “Service Provider” and according to the new rules 408(b)(2) and more specifically the DOL’s FAB 2012R, we are not by definition a Service Provider to the plan when hired by the participant as their advisor. In a Brokerage Window (aka SDO or SDBA), the Service Provider is the provider of the Brokerage Window; not the investment company in the

Brokerage Window or the Investment Advisor hired by the participant (including the IAR solicitor).

408(b)(2) Fee Disclosure:

The Pacific Financial Group (TPFG) is a Registered Investment Advisor that is providing investment advisory services to Plan Participants as a 3(21) Fiduciary investment advisor. TPFG is a “Category 3: Other Service Provider”, in that TPFG and its unaffiliated Investment Advisory Representatives (IAR) receive indirect compensation for managing, or providing assistance in managing, the assets that Plan Participants have elected to move into their Self-Directed Brokerage Account. TPFG provides investment advice to Plan Participants based on risk assessment questionnaires and meetings between the Plan Participant and a Solicitor or Co-Advisor working with the Participant, designed to determine the Participant’s goals and risk temperament (Risk Profile).

For providing TPFG’s clients with management services in connection with the Managed Portfolios that consist of the Pacific Funds, the only fees received by TPFG, or by its affiliate PFG, are the investment advisory fees paid by the Pacific Funds to PFG, for managing the Pacific Funds’ investment portfolios. There are no additional or outside fees assessed to the participants account or to the plan by TPFG or by PFG. In addition, there is no penalty or fees assessed to discontinue or terminate TPFG’s services.

For the services provided by the Solicitor or Co-Advisor, the client is obligated to pay a fee to the Solicitor or Co-Advisor; however, the fee is typically offset by fees paid to the Solicitor or Co-Advisor by the Pacific Funds, in the form of a Shareholder Services Fee and, if applicable, a Rule 12b-1 Distribution Fee, and by fees paid by PFG or TPFG from their own resources. Typically, the total amount of the payment to the Solicitor or Co-Advisor will not exceed 0.75% per year. The Pacific Funds’ Prospectus (available online at [www.TPFG.com](http://www.TPFG.com), mailed directly to existing clients or available upon request) discloses all fees and expenses that are paid by the Funds.

The performance provided to plan participant is always net of fees.

**The Enhanced Portfolio and Investment Centre (EPIC):** We offer a multi-strategy program, entitled The Enhanced Portfolio and Investment Centre (“EPIC Program”), which provides clients with access to a number of institutional money managers (“Strategists”). Under the EPIC Program, we provide a variety of services to clients, including discretionary investment management services (“Management Services”); access to the purchase and sale of (i) model portfolios (“Model Portfolios”), (ii) mutual funds and ETFs (“Program Funds”) and Separately Managed Accounts (“SMAs”); securities trading; back-office services; assistance in account opening and maintenance; recordkeeping; and other services (collectively, “Program Services”).



As part of the EPIC Program, TPFPG is granted a limited power of attorney to act on behalf of the client to engage in transactions (“Transactions”) without prior notice to the client, provided that the Transactions are consistent with the client’s Risk Profile. In addition, TPFPG is authorized to appoint Strategists, with limited discretionary power to enter into Transactions on the client’s behalf, without prior notice to the client, provided that the Transactions are consistent with the client’s Risk Profile and are subject to approval by TPFPG.

Strategists offer clients the opportunity to invest in Model Portfolios, Program Funds and SMAs (collectively, “Program Investment Products”) that are typically designed to match a gradient of investment risk. Strategists and Program Investment Products that participate in the Program are selected by TPFPG, and TPFPG provides information and research regarding the qualifications, investment philosophies, policies and performance of the Strategists and Program Investment Products. TPFPG serves as one of the Strategist’s under the Program. The full scope of Program Services provided by TPFPG is set forth in an Investment Advisory Agreement executed by TPFPG and the client. The Agreement may be terminated by TPFPG or the client at any time, by providing appropriate notice.

Clients in the EPIC Program are referred to TPFPG by Solicitors or Co-Advisors, who serve as the primary relationship with the client. The Solicitor/Co-Advisor assists the client in determining the client’s Risk Profile and in selecting Program Investment Products that are consistent with the client’s Risk Profile. The Solicitor/Co-Advisor is authorized by the client to provide TPFPG with trading instructions, without first providing notice to the client.

In determining the client’s Risk Profile, the client and the Solicitor/Co-Advisor utilize a Risk Assessment Questionnaire and, in most instances, RiskPro®, a web-based risk profiling tool developed by ProTools and distributed by PFG, affiliates of TPFPG. The client is responsible to advise TPFPG or the Solicitor/Co-Advisor of any changes to the client’s investment objectives, risk tolerance or any other items that may be material to managing the client’s account. The client is also responsible to inform TPFPG or the Solicitor/Co-Advisor of any investment restrictions that the client chooses to place on the client’s account.

In most instances, investment selections in the Program are based on a three-mandate investment strategy, which is described below under ***Item 8, Methods of Analysis, Investment Strategies and Risk of Loss.***

Most of the Strategists or Program Investment Products make payments to TPFPG or its affiliate for services provided in connection with making the Strategist’s Investment Products available as part of the EPIC Program (“Strategist Payments”). PFG, an affiliate of TPFPG, will receive fees for investment advisory services provided to the Pacific Funds held in client accounts as part of the Program. These payments may result in potential

conflicts of interests, which are described below under ***Item 10, Other Financial Industry Activities and Affiliations.***

*Risk Analysis/Investment Election:*

Risk Analysis (or, a client's Risk Profile) is primarily achieved through the client completing TPF's Risk Analysis/Investment Election Form and consulting with the financial professional that is referring them to TPF. The Risk Assessment Questionnaire leads the client to a suggested blend of TPF investment products, however the most important part of the process is the evaluation made by the referring financial professional in their counseling meetings with the client. In addition, we have formed a relationship with ProTools, LLC, developer of RiskPro® and distributed by PFG, (both affiliates of TPF) to better support our clients and their financial professional in the task of quantifying risk tolerance and return expectations over the client's specific time parameters. RiskPro® is an online tool that, through a series of questions, helps the clients determine their Risk Profile and investment election options.

The Investment Election is made by the client in concert with their financial professional.

TPF is available to consult with the client or that financial professional.

We conduct an analysis of the paper work submitted when the account is opened. If the selection seems un-suitable for the client, TPF will contact the client and the financial professional for clarification.

The Managed Portfolios, and the Pacific Funds, will offer investors access to the investment skills of independent asset managers, to supplement the skills of PFG and TPF. In addition, through RiskPro®, the Managed Portfolios, and the Pacific Funds, will also enable investors to select investment portfolios that are more closely aligned with their level of comfort with investment risk. For more information clients should contact their advisor or TPF at 800-735-7199.

The total amount of Discretionary assets under our firm's management is \$2,285,432,799 as of December 31, 2017 and Non-Discretionary assets under firm's management were \$42,428,383 as of the same date.

**Item 5. Fees and Compensation**

For the Separately Managed Accounts, Variable Annuity Optimization Accounts and Retirement Plan Management Accounts:

Advisory fees are based on the value of the account at the beginning of each Calendar quarter and are normally billed one quarter in advance.

As part of their investment advisory services, TPFG will from time to time perform a mathematical projection of a client's present and future capital needs based upon facts, assumptions, and risk tolerance provided by the client via the Risk Analysis/Investment Election form completed by the client or the online tool RiskPro®. While this service may assist the client in making decisions as to investment strategy, amount to invest, or investment pattern, it is not a substitute for expert assistance in the field of tax, legal or financial planning.

The Fee Schedule is noted below. The External Annual Fee is deducted from a client's account on a quarterly basis as described above. Clients also have the option of paying the quarterly management fee directly.

Assets under Management Annual Fee for Variable Annuities and Separately Managed Account Portfolios:

<b>Assets Under Management</b>	<b>External Annual Fee</b>
\$0 TO \$500,000	2.00%
\$500,001 TO \$3,000,000	1.50%
\$3,000,001 TO \$5,000,000	1.00%
\$5,000,001 TO \$10,000,000	.80%
\$10,000,001 and up	SUBJECT TO NEGOTIATION

For Clients that invest in Separately Managed Account Portfolio Strategy: Income (Cash Yield), the External Annual Fee is 50bps lower, specifically 1.50% for accounts up to \$500,000.00 and tiered for additional assets as above with a 50bps reduction in fee for accounts up to \$5,000,000. For accounts greater than \$5,000,000 the fee will be 50 bps. Accounts greater than \$10,000,000 will still be subject to negotiation.

For providing TPFG's clients with management services in connection with the Managed Portfolios that consist of the Pacific Funds, the only fees received by TPFG, or by its affiliate PFG, are the investment advisory fees paid by the Pacific Funds to PFG. There are no additional or outside fees assessed to the participants account or to the plan by TPFG or by PFG.

For the services provided by the Solicitor or Co-Advisor, the client is obligated to pay a fee to the Solicitor or Co-Advisor; however, the fee is typically offset by fees paid to the Solicitor or Co-Advisor by the Pacific Funds, in the form of a Shareholder Services Fee and, if applicable, a Rule 12b-1 Distribution Fee, and by fees paid by PFG or TPFG from their own resources. Typically, the total amount of the payment to the Solicitor or Co-Advisor will not exceed 0.75% per year.

TPFG accesses a \$40.00 (forty dollars) annual administrative fee (deducted at the rate of \$10.00 quarterly) on all Separately Managed and Variable Annuity accounts.

For the EPIC Program, the Total Client Fee consists of an annual Program Fee, paid by the client for Program Services provided by TPFG, including TPFG's Management Services; and an annual Solicitation or Co-Advisor Fee, paid by the client for the Solicitor/Co-Advisor's referral to TPFG and for other services provided by the Solicitor/Co-Advisor. The Program Fee is retained by TPFG. The Solicitor/Co-Advisor Fee is collected from the client by TPFG, and then paid by TPFG to the Solicitor/Co-Advisor. The Total Client Fee is billed in the same manner as TPFG's Program Fee, as described in this Section.

The annual Program Fee is 0.45% ("Standard Program Fee"). However, for Program Investment Products offered by a Strategist that makes Strategist Payments to TPFG as compensation or reimbursement for services provided in connection with making the Strategist's Products available, the annual Standard Program Fee is reduced by the amount of the annual Strategist Payment received by TPFG on account of a client's assets invested with the Strategist ("Reduced Platform Fee"). By way of example, if the Strategist Payment received by TPFG in connection with an investment of a client's assets with a Strategist, is 0.20% per year, then the Reduced Platform Fee payable by the client, on those assets invested with the Strategist, shall be reduced from the Standard Platform Fee of 0.45% per year to the Reduced Platform Fee of 0.25% per year. If clients in the Program that invest in the New Pacific Funds, TPFG waives the Program Fee.

The annual Solicitor/Co-Advisor Fee varies, and will not exceed 1.50%. The Solicitor/Co-Advisor Fee is in addition to the Program Fee, and other than for Pacific Funds, the Solicitor/Co-Advisor Fee is paid by the client to TPFG, and then paid by TPFG to the Solicitor/Co-Advisor. For the Funds that are part of the EPIC Program, see **Item 14, Client Referrals and Other Compensation**. Under all circumstances, the amount of the Solicitor/Co-Advisor Fee is set forth in a Disclosure Statement, which is signed by the client and by the Solicitor/Co-Advisor. The Solicitor/Co-Advisor Fee may be amended by TPFG upon providing the client with no less than thirty (30) days' written notice.

Some Strategists charge the client a separate fee ("Strategist's Fee") for managing a Program Investment Product. The annual Strategist Fee: (i) will not exceed 0.35%; (ii) is billed in the same manner as TPFG's Program Fee, as described in this Section; and (iii) may be amended by the Strategist, upon providing the solicitor and/or client with no less than thirty (30) days' written notice.

There is a minimum account size for each Program Investment Product, including Investment Products held in a Unified Managed Account. In the event

that the balance of a client's assets in an Investment Product falls below the minimum account size due to withdrawals or inadequate capitalization by the client, TPFPG reserves the right, in its sole discretion, to either: (i) remove client's account from that Program Investment Product; or (ii) add a quarterly surcharge of \$25 to the Program Fee payable to TPFPG, on each occasion the balance of the account is below such applicable minimum on a date in respect of which the Program Fee is calculable.

Occasionally, various related client accounts may be grouped together to qualify for reduced advisory fees. This format is called "family billing." Some advisory accounts are being managed at a reduced charge or at no charge. These fees may be amended from time to time with written notice.

All fees paid by clients to TPFPG for investment advisory services are separate and distinct from the fees and expenses charged by the underlying mutual funds. In the case of investment products with underlying mutual funds, these fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, a possible shareholder services fee, a possible distribution fee, and other fund expenses. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a fund directly, without the services of TPFPG. In that case, the client would not receive the services provided by TPFPG which are designed, among other things, to assist the client in determining which 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 the fees charged by TPFPG and by Pacific Funds to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

The advisory fee paid to TPFPG for certain investment products represent fees for management of your account and are separate from any other fees and expenses charged by other parties, including brokerage, custodian, and other transaction costs; therefore, the advisory fees shown in this Form ADV represent the fees paid to us, and do not reflect operating expenses and other costs charged by mutual funds, variable annuities or other products you may be invested in and it is important you understand that these expenses and costs are ultimately borne by you. Each mutual fund pays separate management advisory fees and other fees and expenses as defined in the fund's prospectus. As a result, you may indirectly pay duplicate advisory and other fees in connection with such investments.

As PFG, an affiliate of TPFPG, is the advisor to the Pacific Funds, PFG receives a mutual fund advisory fee for performing investment management and other services associated with our client's investment in such securities. While a potential conflict of interest may be presented, in such circumstances, the potential conflict is mitigated, since we do not charge clients a separate advisory fee, where clients invest in the Pacific Funds. The Pacific Funds' Prospectus

outlines the operating expenses for each of the Funds. These documents are available online at [www.tpfq.com](http://www.tpfq.com).

In addition to TPFQ's advisory fees, where applicable, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

TPFQ does not take custody of client assets, other than to the extent that a client authorizes TPFQ to deduct fees directly from the client's account. All client securities are held either in street name, or in the client's name at the broker/dealer, or in the name of the custodian of the client's choice. TPFQ executes trading for the clients' account via a limited power of attorney executed by each client, granting trading privileges to TPFQ. This gives TPFQ discretionary authority to trade clients' accounts without prior notification of the trades to the clients. These same assets will also be subject to additional fees and expenses as set forth in the prospectuses of the underlying funds and variable annuities, and fees and expenses charged by the various custodians. These fees and expenses are ultimately borne by the client. Clients may request from their custodian(s) to receive trade confirmations and prospectuses. This election may be made at any time by the client, and may be changed at any time by the client.

It is the responsibility of the client to verify the accuracy of the fee calculation. The client may terminate the investment advisory contract by notifying TPFQ in writing at its principal place of business.

A client may terminate the investment advisory contract by notifying TPFQ in writing at its principal place of business. TPFQ may terminate an investment advisory contract by providing the client with written notice. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement. Any prepaid and unearned fees will be promptly refunded. As disclosed above, fees are paid in advance of services provided. In calculating a client's reimbursement of fees, TPFQ will pro rate the reimbursement according to the number of days remaining in the quarter.

Comparable services may be available elsewhere for less.

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

It is the policy of TPFQ that it will not charge performance-based fees.

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

TPFQ generally provides advisory services to individuals, pension and profit

sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

TPFG recommends the following minimum dollar value of assets for starting an account:

Managed Portfolios:	\$ 10,000 minimum
Separately Managed Accounts:	\$100,000 minimum accounts at Schwab, Fidelity and Pershing) \$50,000 minimum (accounts at TD Ameritrade)
Variable Annuity Optimization:	\$ 10,000 minimum

For the EPIC Program, the minimum investment in Model Portfolios and SMAs is \$25,000 and the minimum investment in Program Funds is \$2,500 provided however, that there is a maximum investment of \$25,000 in an investment in a single Pacific Fund, and a maximum investment of \$50,000 in a Managed Portfolio or Customized Portfolio consisting of more than one Pacific Fund.

TPFG can, at its sole discretion, waive the minimum amount requirements at their sole discretion.

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

We use the following methods of analysis to determine which securities to buy, sell or hold:

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.

This style of 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.

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 when how long the trend may last and when that trend might reverse.

Quantitative analysis: We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

TPFG blends Fundamental, Technical and Quantitative Analysis into to a blended approach we describe as Rational Analysis™.

TPFG also uses RiskPro® Software to manage a portfolio's level of investment risk. TPFG also uses RiskPro® to assist in identifying a client's Risk Profile.

For the EPIC Program, which is designed to provide clients with access to a number of institutional money managers, TPFG permits Strategists to utilize their own methods of analysis. When conducting due diligence on Strategists and Program Investment Products, TPFG reviews key characteristics, such as historical performance, consistency of returns, risk level, expenses, size of a Program Fund and liquidity of ETFs (average daily volume). TPFG makes information about the qualifications, investment philosophies, policies and performance of Strategist's Program Investment Products available to Solicitors/Co-Advisors and clients. TPFG as a Strategist in the Program uses the methods of analysis described above.

Risks for all forms of analysis: Our securities analysis method relies 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.

In addition to the previous methods of analysis, TPFG obtains pricing information, dividends, corporate filings, published research, and their fundamental information through various publishers and computer data base companies; including but not limited to: Investor's Business Daily, Daily Graphs, BCA Research, JP Morgan, Financial Times, CFA Publications, Metastock Data, HFRI – Hedge Fund Research, Barron's Goldman-Sachs, Wall Street Journal, Business Week, Dial Data Inc., Reuters, Morningstar Information Service, Zack's,



Ibbotson's, The Institute for Econometric Research, Inc., Value Line, Argus, La Jolla Economics, Standard & Poors, and PerTrac.

TPFG uses numerous sources of information on the Internet and World Wide Web, such as for example: Briefing.com, Quote.com, StockCharts.com, and finance.yahoo.com, for timely information on the economy and individual companies.

### **Investment Strategies**

We use the following strategies in managing client accounts:

Long-term purchases: We purchase securities with the idea of holding them in the clients account for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases: 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.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

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.

A risk in a short-term purchase is the potential for sudden losses if the anticipated price swing does not materialize. Moreover, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Covered Option writing: We may utilize covered options as an investment strategy and as a hedging 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.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

We use a “spreading strategy”, in which we purchase two or more option contracts (for example, a call option that you buy and a put 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.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

Short Sales: Short Sales are not made but purchases of negative beta mutual funds and Exchange Traded Funds (“ETF”) are made from time to time. A negative beta means that the stock is inversely correlated with the market. Many precious metals and precious-metal-related stocks are beta-negative as their value tends to increase when the general market is down and vice versa.

EPIC Program: The EPIC Program uses an investment strategy that is based on the view that market movement typically has a significant impact on the variation of portfolio returns. Under this investment approach, it is useful, in constructing a portfolio, to understand which investments are more or less impacted by market movement. To assist in that process, TPFG categorizes investment strategies in the EPIC Program into three distinct allocations:

- Market Movement Allocation: Strategies that closely track the broad movement of stock and/or bond markets, or a blend of the two.
- Dynamic Asset Allocation: Strategies that seek to adjust opportunistically the total level of risk in the portfolio or allocations to various asset classes. These strategies will track market movement to varying degrees, depending on the strategy and market environment.
- Active Alternatives Allocation: Strategies that may de-link from general market movement and may provide additional diversification.

For the EPIC Program, which is designed to provide clients with access to a number of institutional money managers, TPFG permits Strategists to utilize their own investment strategies. As previously noted, TPFG makes information available about the qualifications, investment philosophies, policies and performance of each of the Strategists and each of the Program Investment Products. TPFG as a Strategist in the Program uses the investment strategies described above.

### **Risk of Loss**

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

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

Our firm has no reportable disciplinary events to disclose.

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

Clients should be aware that the receipt of additional compensation by our firm and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. TPFG endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment adviser and takes the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and its employees to earn compensation from advisory clients in addition to our advisory fees;

- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- We waive clients' advisory fees when clients invest in mutual funds managed by TPFQ or an affiliate.
- For EPIC, we reduce the Program Fee by the amount of payments received from Strategists, on account of client assets invested with the Strategist.
- Our management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm;
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.
- TPFQ has also entered into a separate agreement (Strategist Agreement) with an unaffiliated strategist, Aspire Financial Services, LLC enabling them to offer several of our Existing Managed Portfolios to their clients ("Aspire Platform Clients") via their product platforms. Pursuant to the terms of the agreement, TPFQ continuously reviews, supervises, manages and administers the Managed Portfolios as well as provides ongoing signals to the Platform Sponsors containing our recommendations for transactions/re-allocations of Aspire Platform Client assets within the Managed Portfolios. With respect to the assets of any Aspire Platform Client, TPFQ does not have discretionary authority over those assets and will not execute any recommended transactions. No personalized investment advice is provided by TPFQ to the Platform Sponsors or any Aspire Platform Client participating in the Existing Managed Portfolios as to the Platform investment. In the event that an Aspire Platform Client chooses to invest in one of our Managed Portfolios through the Platform, TPFQ will receive a fee directly from the New Pacific Funds which are used to comprise the Managed Portfolios. Please see the prospectus for the Pacific Funds (available at [www.tpfq.com](http://www.tpfq.com)) which details the costs incurred by the Funds. No other advisory fees will be received by TPFQ for these services.

As part of the EPIC Program, many of the Strategists or Program Investment Products make Strategist Payments to TPFPG or its affiliate, to compensate or reimburse for services provided in connection with making the Strategist's Investment Products available as part of the Program. The Strategist Payments may create potential conflicts of interest, as the payments may influence (i) TPFPG's decision of which Strategists or Investment Products to offer as part of the Program, (ii) which securities may be included in a Model Portfolio or SMA, or (iii) which Program Investment Products may be selected or recommended for a client's account, by the Solicitor/Co-Advisor or TPFPG.

To mitigate these potential conflicts of interest, the annual Standard Program Fee of 0.45% is reduced by the amount of the annual Strategist Payment received by TPFPG or its affiliate, on account of a client's assets invested with the Strategist ("Reduced Platform Fee"). By way of example, if a Strategist Payment received by TPFPG or its affiliate, in connection with an investment of a client's assets with that Strategist, is 0.20% per year, then the Reduced Platform Fee payable by the client, on those assets invested with the Strategist, shall be reduced from the Standard Platform Fee of 0.45% per year to the Reduced Platform Fee of 0.25% per year.

Similar potential conflicts may arise if clients invest in Pacific Funds that are included as part of the Program. To mitigate this potential conflict, TPFPG waives the Program Fee, when clients in the Program invest in Pacific Funds.

PFPG may receive Strategist Payments, for TPFPG client assets invested with the Strategist as part of the EPIC Program. Under that circumstance, the payments to PFPG create a potential conflict of interest for TPFPG, as described above. The conflict is mitigated, as the Strategist Payments received by PFPG, on account of TPFPG client assets invested with the Strategist, are used to reduce the client's Program Fee from the Standard Program Fee to the Reduced Program Fee.

TPFPG is a related entity of PFPG (Pacific Financial Group, LLC), an SEC investment advisor that is wholly owned by Pacific Holdings. PFPG serves as the investment advisor of the Funds. There are no anticipated conflicts of interest between TPFPG and PFPG, as it is expected that TPFPG, as discretionary investment manager for their clients will invest assets on behalf of clients in the Managed Portfolios, consisting of the Pacific Funds. The Managed Portfolios and the Pacific Funds provide clients with the benefits of (i) independent, third-party asset managers, to complement the advisory services of TPFPG and PFPG; and (ii) RiskPro®, to assist Solicitors/Co-Advisors and their clients in selecting investment portfolios that are aligned with the client's Risk Profile.

**Item 11. Code of Ethics, Participation 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. When individuals who are employed by or associated with TPFPG purchase or sell listed securities, preclearance is required for IPO's, private or limited offerings and "hot issues." This is disclosed in the Code of Ethics, which all employees sign on an annual basis. All employee trades are monitored by management of TPFPG to ensure that they are in compliance with U.S. Securities and Exchange Commission regulations. Duplicate statements and trade confirmations are received and maintained in the Compliance Department. All Employees complete a quarterly Personal Trading report. Employees or associates of TPFPG are prohibited from soliciting sales or giving investment advice on closely held securities, thinly traded securities, or any securities in which they have a material interest. No securities are placed in client accounts in which any employees or associates of TPFPG have a material interest or are thinly traded or closely held.

On an annual basis, all employees are required to sign TPFPG Code of Ethics, in which they acknowledge their duty of loyalty to the firm's clients and their placing the clients' interests first and foremost before their own. By signing this document, all employees also acknowledge that they will not participate in insider trading, that they will keep client information confidential, and that they will report their trading activity and holdings. Our code provides for oversight, enforcement and recordkeeping provisions. A copy of the Code of Ethics may be requested by contacting the Compliance Officer for TPFPG at 800-735-7199.

From time to time, proprietary accounts may be aggregated with client accounts for trading purposes. At no time is any advisory account favored over any other account participating in the aggregated order. All accounts participating in the aggregate order shall receive an average share price with all other transaction costs shared on a pro-rata basis.

Our firm or individuals associated with our firm may buy or sell securities identical to those recommended to customers for their personal accounts. 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, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, we have established the following restrictions in order to ensure its fiduciary responsibilities:

1. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No principal or employee of our firm may prefer his or her own interest to that of the advisory client.
2. We maintain a list of all securities holdings for our firm and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by TPFG's CCO.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
4. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

Any individual not in observance of the above may be subject to termination.

## **Item 12. Brokerage Practices**

TPFG will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help TPFG in providing investment management services to clients. TPFG may, therefore recommend (or use) the services of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, TPFG may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to TPFG and its affiliate PFG and, indirectly, to TPFG clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker.

TPFG and PFG do not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. TPFG and PFG may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers we select may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if TPFG and PFG determine in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ('brokerage') discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and TPFG and its affiliate, PFG make a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by our firm to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When TPFG and its affiliate, PFG use client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that TPFG and PFG do not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients.

Within our last fiscal year, the following products and services were obtained on a soft-dollar basis:

TPFG and their affiliate, PFG have a soft dollar arrangement with Ceros Financial Services, Inc. The soft dollar arrangement includes only actual trades within each of the mutual funds themselves. In most cases, the Mutual Funds are traded at least monthly, if not weekly, due to the current financial marketing conditions. There is continuous monitoring of the funds which requires trading and rebalancing. The fund administrator is Gemini Fund Services, LLC. The types of research services and products provided to TPFG and PFG include:

- Earnings information and estimates
- Stock quote systems



- Trading systems
- Data feeds from stock exchanges
- Software programs for analysis and research
- Market data
- Seminars or conferences that provide substantive content relating to issuers, industries or securities
- Trade magazines and technical journals
- Proxy services
- Quantitative analytical software.
- Pre-trade and post-trade analytics

These services and products permit TPFG and PFG to supplement its own research and analysis.

TPFG and PFG conducts periodic soft-dollar reviews, analyzing price and commissions offered by the various brokers used and volume of client commissions directed to each broker. Moreover, we perform a qualitative ranking of all brokers used by interviewing and/or polling our trading staff.

Brokers that TPFG selects to execute transactions may from time to time refer clients to TPFG. TPFG will not make commitments to any broker or dealer to compensate that broker or dealer through brokerage or dealer transactions for client referrals; however, a potential conflict of interest may arise between the client's interest in obtaining best price and execution and TPFG's interest in receiving future referrals.

Clients participating in a third-party advisory program that invests in mutual funds or securities offered by other registered investment companies should be aware that the investment companies pay investment advisory or management fees to investment advisers and others, and pay marketing or service fees (including without limitation so-called "12b-1 fees") to broker-dealers and others (including, in some cases, the third-party adviser or its affiliates) who provide services to or for the fund or its shareholders. These fees constitute indirect expenses ultimately borne by the client, and are in addition to the investment advisory fees paid by the client to the third-party adviser.

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

Schwab provides TPFG with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These

services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit TPFG but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our 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 our fees from clients' accounts; and
- (v) assistance with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- (i) compliance, legal and business consulting;
- (ii) publications and conferences on practice management and business succession; and
- (iii) access to employee benefits providers, human capital consultants and insurance providers.

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

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

TPFG has agreed to pay Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fees on all accounts that are maintained at or transferred to another custodian.

The Participation Fee paid by TPFG is a percentage of the fees that the client pays to TPFG or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. TPFG pays Schwab the Participation Fee for as long as the referred client's account remains in custody at Schwab. This fee is billed to TPFG quarterly and may be increased, decreased or waived by Schwab from time to time. TPFG has agreed not to charge advisor clients introduced by the Service fees or costs greater than the fees or costs TPFG charges its advisory clients who were not introduced by the service, and who have similar portfolios under management with TPFG.

Schwab charges to the client an annual custody fee of 20bps or \$250.00 per account for all SMAs or Managed-Institutional Portfolio accounts. TPFG participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. TPFG receives some benefits from TD Ameritrade through our participation in the program.

TPFG participates in TD Ameritrade's Institutional customer program and we may provide the option for clients to maintain accounts with TD Ameritrade for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): duplicate client [statements and] confirmations; research related products and tools; consulting services; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to

mutual funds with no transaction fees and to certain Institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to TPFPG by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by TPFPG related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for TPFPG personnel to attend conferences or meetings relating to the program or to TD Ameritrade's adviser custody and brokerage services generally.

Some of the products and services made available by TD Ameritrade through the program may benefit TPFPG but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by TPFPG through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by TPFPG or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

TD Ameritrade provides the Additional Services to our firm in its sole discretion and at its own expense, and TPFPG does not pay any fees to TD Ameritrade for the Additional Services. TPFPG and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

TPFPG receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to our firm, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, our client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with TPFPG, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, we may have an incentive to recommend to our clients that the assets under management by us be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade.

TPFPG receipt of Additional Services does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

TD Ameritrade charges to the client an annual custody fee of 21bps per account for all SMAs or Managed-Institutional Portfolio accounts. In addition, starting May 1, 2014 TD Ameritrade, to cover expenses associated with the custody of Alternative Investments (AI) will charge an annual custody fee of \$100.00 per AI

position held in a client's account. In general, Alternative Investments refers to investments that are not publicly traded, such as Real Estate Investment Trusts (REITs), private corporations, and limited partnerships (LPLs). If a client does not have sufficient funds in their qualified retirement account(s), the annual custodial fees may be paid outside of the qualified account(s).

TPFG 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 for a number of investment advisory clients that use Fidelity Investments as the custodian for their investment portfolios. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like TPFG in conducting business and in serving the best interests of our clients but that may also benefit us.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables TPFG to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by TPFG (within specified parameters). These research and brokerage services presently include services such as duplicate client [statements and] confirmations; research related products and tools; consulting services ; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain Institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to TPFG by third party vendors. Fidelity may also pay for business consulting and professional services received by TPFG related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for TPFG personnel to attend conferences or meetings relating to the program or to Fidelity's adviser custody and brokerage services generally.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best

interests of TPFG clients and satisfies our client obligations, including our duty to seek best execution. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, while TPFG will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services that may be obtained by us will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. TPFG and Fidelity are not affiliated.

TPFG has an arrangement with Pershing, LLC, a subsidiary of The Bank of New York Mellon (together with all affiliates, "Pershing") through which Pershing provides our firm with their "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like TPFG in conducting business and in serving the best interests of our clients but that may also benefit us. Additionally, TPFG has an arrangement with TIAA-CREF for their Self-Directed Option in which trades are processed through Pershing, LLC. These types of accounts are Retirement Plan Portfolios. In addition, investment advisory clients have also elected to use T. Rowe Price, Hewitt Financial Services, Empower Retirement and Princor for their retirement investment plans which are traded through Pershing, LLC.

Investment advisory clients have elected to use various custodians such as Bank of Oklahoma Financial, Vanguard and Wells Fargo among others and to effect trades for their accounts.

For the EPIC Program, clients should review their agreement with the custodian for a complete description of fees and services.

A material number of clients have their custodians as either Prudential, Security Benefit, Pacific Life, Consec-Jefferson National, VOYA Financial, TIAA/CREF, Allianz, Allmerica Commonwealth, AXA Equitable, Lincoln Benefit Life, The Hartford, Jackson National, Lincoln Financial Group, Transamerica Life Insurance Company, AIG Sun America/Anchor National, and Nationwide as the insurance company which holds their variable annuity contract and/or a few brokerage accounts.

The Pacific Financial Group, Inc. does not sell any variable annuity or any other type of insurance product, and only acts as a third-party investment adviser on the contracts per authorization by each client.

The Pacific Financial Group, Inc. may, from time to time, make an error in submitting a trade order on behalf of a client. When this occurs, we may place a correcting trade with the custodian. If an investment gain results from the correcting trade, the gain will remain in a client's account unless the same error involved another client account that should have received the gain; it is not permissible for a client to retain the gain; or a client decides to forego the gain (e.g. due to tax reasons). The treatment of any gain resulting from error corrections is dependent on which custodian is processing the trade.

For Schwab accounts, any gain equal to or greater than \$100.00 generated in the correction of a trade error and not retained in the client's account, will be donated to charity by Schwab. For *de minimis* gains under \$100.00 not retained in the client's account, Schwab will keep the gain to minimize and offset its own administrative time and expense to process advisor trade errors.

For TD Ameritrade accounts, any gain equal to or greater than \$100.00 generated in the correction of a trade error will be transferred on a monthly basis by TD Ameritrade to The American Red Cross.

For trading errors resulting in gains that occur at Fidelity, Pershing or other smaller custodians, the error activity will be reviewed at year end for determination and final distribution per the custodial requirements.

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

#### **Investment Supervisory Services ("ISS")**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are continuously reviewed and at a minimum at least monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

Reviewers include Megan P. Meade, Co-CEO, Nick B. Scalzo, Co-CEO, Jennifer Enstad, CFA® Chief Investment Officer, Keith Swanson, CFA® Portfolio Manager, Eric Neufeld, CFA®, Portfolio Manager and Julia Stewart, Portfolio Manager.

Reviewers review accounts based on standing instructions established through the Risk Analysis/Investment Election Form executed by the client. Reviews are conducted with the aid of computer models, which match the client's desires. In

addition, the Chief Compliance Officer, Y. Jill Dildine or a designated person, reviews the client's initial management agreement and Risk Analysis/Investment Election Form prior to investing to ensure completeness and that the client's investor risk score coincides with their portfolio preference. Reviews for Private Clients are also conducted by TPFPG Financial Consultants such as Jake Chow and/or Megan P. Meade, Co-CEO on an on-going basis.

TPFG has a relationship with ProTools, LLC, creator of RiskPro® and distributed by PFG, (both affiliates of TPFPG), to better support our clients and representatives in the important task of quantifying their risk tolerance and return expectations over their specific time parameters. RiskPro® is an online reporting tool.

For the EPIC Program, TPFPG continually monitors the Strategists Investment Products. We will make changes to Strategists, Model Portfolios, Program Funds or SMAs (such as a decision to add a new Strategist or eliminate an existing Strategist) as and when we deem appropriate. We will also implement any approved rebalancing to Program Investment Products, as instructed by the Strategists. Client accounts are reviewed by TPFPG, as described above, as well as by the client's solicitor, who is responsible to monitor the client's Risk Profile and to communicate to us any changes that might impact the client's Risk Profile.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

## **MUTUAL FUNDS**

**REVIEWS:** TPFPG continually reviews and monitors the Pacific Financial Mutual Fund's holdings in accordance with the investment objectives as detailed in the Fund Prospectus.

**REPORTS:** Clients should refer to the Pacific Financial Mutual Fund Prospectus and Statement of Additional Information for information regarding regular reports to the Fund by PFG.

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

TPFG may pay fees to independent persons or firms ("Solicitors" or "Co-Advisors") for introducing clients to us and for providing services to the clients. Typically, the Solicitor or Co-Advisor provides the following services:

- A. Primary Relationship. The Solicitor or Co-Advisor serves as the primary relationship contact with TPFPG's clients.
- B. Risk Profile. The Solicitor or Co-Advisor assists each client in



determining the client's initial and ongoing Risk Profile, and provides TPFG with the necessary information to support each client's selection of a Risk Profile.

- C. Use of RiskPro®. In assisting clients in determining their initial and ongoing Risk Profile, the Solicitor or Co-Advisor utilizes either: (i) a Risk Profile Questionnaire, provided by TPFG, together with RiskPro®, a web-based risk profiling software tool; or (ii) an alternative approach, acceptable to TPFG, to determine each client's Risk Profile. Under all circumstances, the Solicitor or Co-Advisor obtains the written consent of each client, with respect to the Client's Risk Profile, and provides a copy of the client's written consent to TPFG.
- D. Client On-Boarding. The Solicitor or Co-Advisor facilitates the on-boarding process for clients, including supporting each client in completing the new account opening paperwork (Investment Management Agreement and Custodial Forms), obtaining all appropriate information as may be required for the client to determine their Risk Profile and gathering such other information as may be necessary.
- E. On-Going Contact. Subject to TPFG's regulatory requirements, the Solicitor or Co-Advisor has sole responsibility for: (i) maintaining ongoing contact with each client; (ii) obtaining current information regarding such client's financial situation, investment objectives, risk tolerance and other characteristics; and (iii) determining whether the investment programs and investment strategies in which such client's accounts are invested are, and remain, suitable for such client.
- F. Client Relationship. The Solicitor or Co-Advisor assists with receiving and responding to ongoing communications from TPFG to clients, including providing clients with all required documentation received from TPFG. The Solicitor or Co-Advisor shall be responsible for communicating to TPFG any changes in a client's Risk Profile, including any changes to a client's financial situation, investment objectives, and/or tolerance for investment risk.
- G. Review of Investment Products. The Solicitor or Co-Advisor shall (i) review with each client the investment products held in the client's account, (ii) respond to client questions about such investment products, and (iii) in some circumstances, recommend investment products for clients to consider; provided, however, that the Solicitor or Co-Advisor is not authorized to

provide any client with discretionary investment management services.

For the services provided by the Solicitor or Co-Advisor, the client is obligated to pay a fee to the Solicitor or Co-Advisor; however, the fee is typically offset by fees paid to the Solicitor or Co-Advisor by the Pacific Funds, in the form of a Shareholder Services Fee and, if applicable, a Rule 12b-1 Distribution Fee. In addition, fees are paid by PFG or by TPFPG, from their own resources, to the Solicitor or Co-Advisor. The Solicitor or Co-Advisor will disclose the nature of their relationship with TPFPG at the time of referring the client to TPFPG. In addition, the Solicitor or Co-Advisor will provide each TPFPG client with a copy of TPFPG's Disclosure Brochure, along with a copy of a written disclosure statement, disclosing the terms and conditions of the arrangement between the Solicitor or Co-Advisor and TPFPG, including the sources and the amount of compensation that the Solicitor or Co-Advisor will receive. Typically, the total amount of the payment to the Solicitor or Co-Advisor will not exceed 0.75% per year.

Other than in the EPIC Program, where the Solicitor Fee is in addition to the Program Fee paid by the client, where by all clients will be charged a fee for the Solicitor/Co-Advisor, under no circumstances nor at any time is a referred client charged a fee greater than they would have paid had they come directly to TPFPG.

Sometimes clients receive partial fee abatement for referring clients to the firm. As a matter of firm practice, the advisory fees paid to us by clients referred by Solicitors are not increased as a result of any referral.

For the EPIC Program, the Solicitor/Co-Advisor Fee is in addition to the Program Fee. The amount of the Solicitor/Co-Advisor Fee is set forth in the Disclosure Statement, which is signed by the client and the Solicitor/Co-Advisor, and will not exceed an annual fee of 1.50%. Other than for Pacific Funds, the Solicitor/Co-Advisor Fee is paid by the client to TPFPG, and then paid by TPFPG to the Solicitor/Co-Advisor.

For the Pacific Funds that are part of the EPIC Program, the client is obligated to pay a fee to the Solicitor or Co-Advisor; however, the fee is typically offset by fees paid to the Solicitor or Co-Advisor by the Pacific Funds, in the form of a Shareholder Services Fee and, if applicable, a Rule 12b-1 Distribution Fee, and by fees paid by PFG or TPFPG from their own resources. Typically, the total amount of the payment to the Solicitor or Co-Advisor will not exceed 0.75% per year.

In addition, many of the Strategists included as part of the Program make payments to TPFPG or its affiliate, as compensation or reimbursement for services provided, in connection with making the Strategist's Investment Products available. Further, TPFPG, or its affiliate PFG, receive fees for investment advisory

services from the New Pacific Funds held in client accounts that are part of the Program.

Such payments by Strategists or by the Pacific Funds to TPGF or to PFG create potential conflicts of interest, as the payments may influence (i) TPGF's decision of which Investment Products to offer as part of the Program, (ii) which securities may be included in a Model Portfolio, or (iii) which Program Investment Products may be selected or recommended for a client's account, by the Solicitor or TPGF.

To mitigate these potential conflicts of interest, the annual Standard Program Fee of 0.45% is reduced by the amount of the annual Strategist Payment received by TPGF or its affiliate, on account of a client's assets invested with the Strategist, and TPGF waives the Program Fee for those assets in a client's account invested in Pacific Funds that are part of the Program.

## **Item 15. Custody**

As previously disclosed TPGF 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.

Clients are sent statements with a description of all activities in the client's accounts directly from the custodian of the assets either on a monthly or quarterly basis. Quarterly TPGF sends to Clients a quarterly account summary, transaction summary, statement of realized gains and losses and a quarterly newsletter (generic). Annually TPGF sends to Clients: an annual transaction summary (if requested), a statement of interest, dividends, and expenses and a statement of realized gains and losses.

In order to ensure that all account transactions, holdings and values are correct and current, TPGF urges clients to compare our firm's statement with the statement you receive directly from your qualified independent brokerage or bank custodian.

## **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.

### **Ability to Restrict Trading and Marketing Timing**

You may redeem all or part of your investment on any day that the New York Stock Exchange is open for business, subject to certain restrictions described below.

The Pacific Financial Group, Inc. (TPFG) will attempt to submit trade orders received by our office prior to 9:00AM PST on the same day. Any orders received after 9:00AM PST will be placed on a best-efforts basis. All trades will be placed in the order they are received. Any orders not able to be submitted the same day will be placed in a queue, in the order received, to be submitted the following business day. However, during certain market conditions, and depending on the custodian's capabilities as well as unique cut-off times, trades may take up to seven business days. In extreme circumstances, trades may take more than seven days.

TPFG reserves the right to reject or restrict purchase or sell requests for any reason, particularly when a shareholder's trading activity suggests that the shareholder may be engaged in market timing or other disruptive trading activities. In this circumstance, TPFG will not be liable for any losses resulting from rejected purchase or sell orders. TPFG may also bar an investor who has violated these policies and TPFG reserves that right to resign the account.

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

We have discretion to vote proxies for our clients, we will vote those proxies in the best interests of its clients and in accordance our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a

record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies.

If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Jill Dildine, Chief Compliance Officer, directly. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client. Should TPFG receive any requests from clients regarding proxy voting, we will maintain a record of the requests from specific clients, which will include:

- Name of the Client
- Date that the request was received
- Whether the request was for a complete or partial record of proxy votes
- The documents provided
- Date that the information was sent to the client

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

In addition, should a client direct us to vote a proxy in a specific manner we would document our recommendation and vote the proxy according to the client's wishes.

#### **Item 18. Financial Information**

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