

# PCG Asset Management, LLC

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April 15, 2011

*This disclosure brochure provides clients with information about the qualifications and business practices of PCG Asset Management, LLC, an independent investment advisory firm registered with the United States Securities and Exchange Commission ("SEC"). It also describes the services PCG Asset Management, LLC provides as well as background information on those individuals who provide investment advisory services on behalf of PCG Asset Management, LLC. Please contact David W. Johnson, Managing Member and Chief Compliance Officer of PCG Asset Management, LLC, at 908-603-1250 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply PCG Asset Management, LLC or any individual providing investment advisory services on behalf of PCG Asset Management, LLC possess a certain level of skill or training. Additional information about PCG Asset Management, LLC is available on the Internet 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 PCG Asset Management, LLC is 148208.*

Table of Contents

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<b>ADVISORY BUSINESS .....</b>	<b>1</b>
Company	
Investment Supervisory Services	
Financial Planning Services	
Assets Under Management	
<b>FEES AND COMPENSATION .....</b>	<b>3</b>
Investment Supervisory Services	
Financial Planning Services	
Additional Compensation	
Important Additional Information	
<b>PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....</b>	<b>6</b>
<b>TYPES OF CLIENTS .....</b>	<b>7</b>
Engaging the Services of PCG	
Conditions for Managing Accounts	
<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....</b>	<b>7</b>
Types of Investments	
Investment Strategies	
Security Analysis	
Sources of Information	
Risk	
Cash Management	
<b>DISCIPLINARY INFORMATION .....</b>	<b>10</b>
<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>10</b>
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>11</b>
Code of Ethics	
Prohibition on Use of Insider Information	
Participation or Interest in Client Transactions	

Table of Contents

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<b>BROKERAGE PRACTICES .....</b>	<b>13</b>
Brokerage Selection	
Directed Brokerage	
Trade Aggregation/Allocation	
<b>REVIEW OF ACCOUNTS .....</b>	<b>16</b>
Portfolio Management	
Financial Planning	
<b>CLIENT REFERRALS AND OTHER COMPENSATION .....</b>	<b>17</b>
<b>CUSTODY .....</b>	<b>17</b>
<b>INVESTMENT DISCRETION .....</b>	<b>18</b>
<b>VOTING CLIENT SECURITIES .....</b>	<b>18</b>
Proxy Voting	
Class Actions	
<b>FINANCIAL INFORMATION .....</b>	<b>19</b>
Payment of Fees	
Financial Condition	
Bankruptcy	
<b>PRIVACY NOTICE .....</b>	<b>19</b>
<b>COMPLAINTS .....</b>	<b>19</b>

## **ADVISORY BUSINESS**

### **Company**

PCG Asset Management, LLC is a privately-held New York limited liability company that has been providing investment advisory services as an-SEC investment adviser since 2008. Throughout this disclosure brochure, the company is referred to as "PCG".

The principal owner of PCG is David W. Johnson.

### **Investment Supervisory Services**

PCG provides Investment Supervisory Services, defined as giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, PCG determines a client's risk profile and creates and manages a customized portfolio based on that profile. PCG will manage advisory accounts on either a discretionary or non-discretionary basis. Account supervision is guided by the stated objectives of the client.

PCG provides investment supervisory services under the following programs:

#### **Separately Managed Account Program**

Under the Separately Managed Account Program, PCG provides investment management services on a non-discretionary basis. PCG will review the client's present financial situation and will provide the client with advice as to the appropriate investment and reinvestment of those assets of the client designated by the client to be subject to PCG's management.

Under the Separately Managed Account Program, PCG designates the active discretionary management of the client's assets among certain independent money managers to be recommended by PCG, based upon the investment objectives of the client. Clients are required to enter into a separate investment management agreement with each independent money manager selected.

Pursuant to the client's agreement with the independent money manager, the client agrees to delegate to the independent money managers all of client's powers with respect to the investment and reinvestment of the client's assets and appoint the designated independent money manager as the client's attorney and agent in fact with full authority to buy, sell or otherwise effect investment transactions involving the client's assets. As such, the designated independent money manager is authorized to buy, sell and trade in stocks, bonds, mutual funds, and other securities and/or contracts relating to the same, on margin (provided that written margin authorization has been granted) or otherwise, and to give instructions in furtherance of such authority to the registered broker-dealer and/or the custodian for the client's account.

### Wrap Fee Program

PCG may recommend a wrap fee account arrangement to clients when appropriate. When PCG is retained under a wrap fee account arrangement, the sponsoring broker/dealer recommends wrap account fees be billed by the sponsoring broker/dealer client, executes the client's portfolio transactions without commission charges per transaction, and may also act as a custodian, or provides some combination of these or other services, all for a single fee. In limited circumstances, a nominal transaction fee may apply. PCG's minimum account size and investment advisory fee may vary from those required of other clients. In such a program, a client should understand that brokerage commissions are not negotiated by PCG. Transactions are effected "net" and a portion of the wrap fee is considered in lieu of commissions. Trades will generally be executed only with the sponsoring broker/dealer to avoid incurring the incremental brokerage costs from using other broker/dealers. Therefore, PCG may not be free to seek best price and execution by placing transactions with other brokers or dealers.

It has been PCG's experience that broker/dealer sponsors of wrap fee agreements generally can offer best price for transactions in listed equity securities. With respect to transactions in other types of securities, no assurance can be given that such will continue to be the case and may not presently be the case. Accordingly, the client may wish to satisfy herself or himself that the broker/dealer sponsoring the wrap account arrangement can provide adequate price and execution for most or all transactions. In evaluating this arrangement, the client should consider whether, depending upon the level of the wrap fee, the amount of portfolio activity, and the value attributed to monitoring, custodian and any other services provided, the wrap fee would exceed the aggregate cost of such services if they were sold separately provided PCG were free to choose the broker/dealer to execute portfolio transactions.

Under the Wrap Fee Program, PCG will either be provided with full discretionary authority to invest in securities and investments of any type or limited discretionary authority to invest only in investment company securities including exchange traded funds (ETFs), and "no load" mutual and "load" mutual funds at net asset value.

### **Financial Planning Services**

Financial planning is primarily an analytical process designed to organize financial data, identify needs and opportunities and evaluate alternative courses of action; it may include analysis of current net worth, income taxes, cash flow and budgeting, investments and asset allocation, retirement planning, employee benefit plan analysis, estate and gift tax planning, education pre-funding and risk management focusing on life, health and disability coverage.

In general, PCG gathers required information through personal interviews. PCG will typically meet with the client to conduct an evaluation of the client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are also reviewed. PCG conducts a financial analysis and prepares a written plan that describes the client's current situation, identifies needs

and opportunities and makes suggestions designed to help the client achieve stated goals.

While financial analyses may include investment advice concerning mutual funds and securities, it may also include investment advice with respect to products that may or may not constitute “securities,” such as life insurance and annuities. It also takes into consideration estate tax planning issues that may not constitute “investment” advice.

PCG may recommend its own services and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if PCG recommends its own services. The client is under no obligation to act upon any of the recommendations made by PCG under a financial planning engagement and/or engage the services of any such recommended professional, including PCG or any of its related persons. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of PCG’s recommendations.

In performing its services, PCG shall not be required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. If requested by the client, PCG may suggest the services of other professionals for implementation services, but the client is under no obligation to engage the services of any suggested professional. In addition, each client is advised that it remains their responsibility to promptly notify PCG if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising PCG’s previous recommendations and/or services.

### **Assets Under Management**

As of December 31, 2010, the total amount of client assets managed by PCG is approximately \$69,000,000. To date, all client assets are managed on a non-discretionary basis.

## **FEES AND COMPENSATION**

### **Investment Supervisory Services Fees**

#### Separately Managed Account Program

The annual fee for the Separately Managed Account Program is charged as a percentage of assets under management and will not exceed 2.5% of the value of the client’s portfolio. Details of the Separately Managed Account Program fee are more fully described in the advisory agreement entered into with each client.

Clients will be billed in advance at the beginning of each calendar quarter, based upon the value (market value or fair market value in the absence of market value) of the client's account at the end of the previous quarter. If an account is terminated

during a calendar quarter, fees will be adjusted *pro rata* based upon the number of calendar days in the calendar quarter that the advisory agreement was effective. Under the Separately Managed Account Program, the client receives both investment advisory services and the execution of securities brokerage transactions for a single annual fee.

### Wrap Fee Program

Under the Wrap Fee Program, the client receives investment management services, brokerage costs, administrative services, custody, management fees and performance reporting as a single all-inclusive charge (the “wrap fee”). Wrap fees paid by the client will not exceed 2.00% of the total assets under management and are paid in advance.

### **Financial Planning Services Fees**

Financial Planning Services fees may be charged in one of the following manners:

1. As a fixed fee, typically ranging from \$1,000 to \$5,000;
2. As an hourly charge at the rate of up to \$350 per hour; or
3. As a percentage of assets under consultation and will not exceed 2.0% of the value of the assets under consultation.

Financial Planning Services fees are dependent on the nature and complexity of each client's circumstances. Fees for Financial Planning Services are due and payable upon delivery of the financial plan; provided, however, that if the client elects to retain PCG to implement the financial planning recommendations pursuant to a separate investment supervisory services agreement, the Financial Planning Services fee will be offset by the portfolio management fee in subsequent years. Details of the Financial Planning Services fee is more fully described in the financial planning agreement entered into with each client.

### **Additional Compensation**

Certain supervised persons of PCG are registered representatives of First Allied Securities, Inc. As registered representatives, these individuals may accept compensation for the sale of securities or other investment products. The receipt of commissions could represent an incentive for these individuals to recommend products based on the compensation received, rather than on a client's needs. This creates a conflict of interest.

In the event the client desires, the client can engage certain PCG investment adviser representatives (but not PCG itself) to provide securities brokerage services under a commission arrangement. Under this arrangement, the client may implement securities transactions through these individuals in their respective capacities as registered representatives of either First Allied Securities, Inc. Brokerage commissions may be charged by these broker-dealers to effect these securities

transactions and thereafter, a portion of these commissions may be paid by these broker-dealers to such individuals. Prior to effecting any transactions, the client will be required to enter into a new account agreement with such broker-dealer(s). The brokerage commissions charged by these broker-dealers may be higher or lower than those charged by other broker dealers.

In addition, certain investment adviser representatives associated with PCG, may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

While PCG does not sell such securities products to its investment advisory clients, PCG does permit certain related persons, in their individual capacities as registered representatives of broker-dealers, to sell securities products to its investment advisory clients. A conflict of interest exists to the extent that PCG recommends the purchase of securities where individuals associated with PCG receive commissions or other additional compensation as a result of PCG's recommendations.

### **Important Additional Information**

#### Fees Negotiable

PCG retains the right to modify fees, including minimum annual fees and minimum account sizes, in its sole and absolute discretion, on a client-by-client basis based on the size, complexity and nature of the advisory services provided.

#### Direct Debiting of Client Accounts

In order for PCG's advisory fees to be directly debited from a client's account, the client must provide written authorization permitting PCG to bill the custodian. In addition, the account must be held by a qualified custodian and the qualified custodian must agree to send to the client an account statement on at least a quarterly basis. The account statement must indicate all amounts disbursed from the account including the amount of advisory fees paid directly to PCG. Clients are informed that it is their responsibility to verify the accuracy of the fee calculation and that the account custodian will not determine whether the fee is properly calculated.

#### Termination of Client Relationship

A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement. Clients may obtain their refund in one of two ways – either by having the refund transferred directly into their account or by check.

### Mutual Fund Fees

All fees paid to PCG for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of PCG. In that case, the client would not receive the services provided by PCG which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives.

To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by PCG to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

### Trading and Other Costs

All fees paid to PCG for investment advisory services are separate and distinct from transaction fees charged by broker dealers associated with the purchase and sale of equity securities and fixed-income securities. In addition, fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Please see the section entitled "Brokerage Practices" on page 13 of this disclosure brochure for additional information on brokerage and other transaction costs.

### Wrap Fee Programs

Additional expenses (i.e., SEC fees, trailing commissions, annual IRA fees, wire transfer fund fees, postage and handling fees) are not covered under the wrap fee. It is possible that comparable or similar services may be available to a client at a lower aggregate cost if they were separately provided and PCG was free to choose any brokers to execute portfolio transactions. Accordingly, a prospective client should consider the wrap fee in light of the aggregate services being obtained from each of the respective parties. Additional information about the Wrap Fee Program, services, fees, conflicts, etc. is provided in the Wrap Fee Program disclosure brochure.

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

PCG does not accept performance-based fees (e.g., fees based on a share of capital gains on or capital appreciated of the assets in a client's account).

## **TYPES OF CLIENTS**

PCG provides investment advisory services to individuals, high net worth individuals, pension and profit sharing plans, trusts, estates or charitable organizations and corporations or other business entities.

### **Engaging the Services of PCG**

All clients wishing to engage PCG for investment advisory services must first complete the applicable investment advisory agreement as well as any other document or questionnaire provided by PCG. The investment advisory agreement describes the services and responsibilities of PCG to the client. It also outlines PCG's fee in detail. In addition, clients must complete certain broker-dealer/custodial documentation as well as any documentation required by the separate account manager. Upon completion of these documents, PCG will be considered engaged by the client. Clients will be responsible for ensuring that PCG is informed in a timely manner of changes in investment objectives and risk tolerance.

### **Conditions for Managing Accounts**

#### Investment Supervisory Services

##### *Separately Managed Account Program*

To participate in the Separately Managed Account Program, PCG requires new clients have a minimum account of \$250,000, provided, however, that PCG retains the right to reduce or waive this minimum account size.

##### *Wrap Fee Program*

To participate in the Wrap Fee Program, PCG requires new clients have a minimum account of \$250,000, provided, however, that PCG retains the right to reduce or waive this minimum account size.

#### Financial Planning Services

PCG requires a minimum annual fee of \$1,000 for Financial Planning clients, provided, however, that PCG retains the right to reduce or waive the minimum annual fee.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Types of Investments**

Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Recommendations for new investments will typically be limited to domestic and foreign equity securities, exchange trade funds (ETFs)

warrants, corporate debt securities, commercial paper, certificates of deposit, municipal and United States government securities, mutual funds, variable annuities and variable life insurance.

In addition, PCG will, from time to time, recommend investments in alternative investments (e.g., hedge funds; funds of hedge funds, private equity or other types of limited partnerships) when it is appropriate for a client. In certain instances, these alternative investments may be the only investment vehicle a manager offers or such alternative investment may be the only economical method to access the investment skills of a particular manager.

### **Investment Strategies**

PCG may utilize different investment strategies, based upon the needs of the client, including long-term purchases, short-term purchases, trading, short sales, margin transactions and option writing.

In addition, clients should refer to the ADV Part 2 of the separate account manager for information regarding the investment strategies used by such account manager in servicing client accounts.

### **Security Analysis**

The security analysis method employed by PCG is fundamental analysis.

In addition, clients should refer to the ADV Part 2 of the separate account manager for information regarding the methods of analysis used by such account manager in servicing client accounts.

### **Sources of Information**

In conducting security analysis, PCG may utilize the following sources of information: financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the U.S. Securities and Exchange Commission and company press releases. In addition to the listed sources of information, PCG's portfolio manager may, from time to time, conduct interviews of corporate officers, make company visits and participate in analysts' phone conferences.

In addition, clients should refer to the ADV Part 2 of the separate account manager for information regarding the sources of information used by such account manager in servicing client accounts.

### **Risk**

#### **In General**

Investing in securities involves risk of loss that each client should be prepared to bear. Typical investment risks include market risk typified by a drop in a security's

price due to a company specific event (e.g. unsystematic risk), or general market activity (e.g., systematic risk). In addition, certain strategies may impose more risk than others. For example, with fixed income securities, a period of rising interest rates could erode the value of bond since bond values generally fall as bond yields rise. Investment risk with international equities also includes fluctuation in currency values, differences in accounting and economic and political instability.

### Options

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index. For example, the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well.

### Alternative Investments

Alternative investments generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the offering documents of each specific alternative investment, which will be provided to each prospective investor for review and consideration. Each investor will be required to complete a subscription agreement, pursuant to which the investor shall establish that they are qualified for investment in that alternative investment, and acknowledges and accepts the various risk factors that are associated with such an investment.

### Margin Transactions

When buying stocks on margin, you are employing leverage as an investing strategy. Leverage allows you to extend your financial reach by investing using borrowed funds while limiting the amount of your own cash you expend. Please note, however, that this can involve a high degree of risk. Some of these risks include:

- Losing more money than you have invested;
- Being required to deposit additional cash or securities in your account on short notice to cover market losses;
- Being forced to sell some or all of your securities when falling stock prices reduce the value of your securities; and
- Having your brokerage firm sell some or all of your securities without consulting you to pay off the loan it made to you.

### Exchange Traded Funds (ETFs)

Equity-based exchange traded funds are subject to risks similar to those of stocks. If the stock tracked within an ETF decline due to weakening fundamentals, crumbling technical support, global events, or any other market fluctuations, the value of the ETF will go down. Fixed income-based ETFs are subject to risks similar to those of bonds such as increasing interest rates. Investment returns will fluctuate and are subject to market volatility, so that an investor's ETF shares, when redeemed or sold, may be worth more or less than their original cost.

### Independent Money Managers

As further discussed in the section "Advisory Business" on page \_\_ of this disclosure brochure, PCG may recommend that clients authorize the active discretionary management of a portion of their assets by certain independent money managers, based upon the stated investment objectives of the client. PCG shall continue to render services to the client relative to the discretionary and/or non-discretionary selection of the independent money managers as well as the monitoring and review of account performance and client investment objectives. When selecting an independent money manager for a client, PCG will review:

- Information about the independent money managers (such as its disclosure statement); and/or
- Material supplied by the independent money managers or independent third parties for a description of the independent money manager's investment strategies, past performance and risk results.

### **Cash Management**

PCG will maintain cash balances to meet foreseeable short-term client cash needs, as a temporary repository pending investment in other securities, or as a defensive position when market conditions are considered adverse. High cash balances may be maintained for new clients whose accounts initially consist of high cash positions as cash is gradually invested in equity and fixed income securities.

### **DISCIPLINARY HISTORY**

Neither PCG nor any of its supervised persons have any reportable disciplinary history.

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

#### **Registered Representatives**

The principal executive officers and other supervised persons of PCG are separately licensed as registered representatives of various FINRA member broker-dealers.

These individuals, in their separate capacities as registered representatives, will be able to effect securities transactions for which they will receive separate, yet customary compensation. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. While these individuals endeavor at all times to put the interest of the clients first as part of PCG's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

The advisory services offered by PCG are entirely separate and distinct from (though complimentary to) the advisory services of these broker-dealers. The associated persons of PCG do not provide investment advisory services on these broker-dealers' behalf. These broker-dealers do not warrant the sources of information, investment strategies, or the contents of any information provided by PCG.

### **Insurance Agents**

Certain investment adviser representatives associated with PCG, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully disclosed commission basis, the purchase of certain insurance products. While PCG does not sell such insurance products to its investment advisory clients, PCG does permit these investment adviser representatives, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that PCG recommends the purchase of insurance products where individuals associated with PCG receive insurance commissions or other additional compensation.

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

### **Code of Ethics**

PCG has adopted a Code of Ethics pursuant to Rule 204A-1 of the Advisers Act to prevent violations of federal securities laws. The Code of Ethics is predicated on the principle that PCG owes a fiduciary duty to its clients. Accordingly, PCG expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws.

All officers, directors, partners and employees of PCG and any other person who provides advice on behalf of PCG and is subject to PCG's control and supervision are required to adhere to the Code of Ethics. At all times, PCG and its employees must (i) place client interests ahead of PCG's; (ii) engage in personal investing that is in full compliance with PCG's Code of Ethics; and (iii) avoid taking advantage of their position. A copy of PCG's Code of Ethics is available upon request. For a copy, please contact David Johnson, Managing Member of PCG, at (908) 603-1250.

## **Prohibition on Use of Insider Information**

PCG has also adopted policies and procedures to prevent the misuse of “insider” information. A copy of PCG’s Insider Trading policies and procedures is available to any client or prospective client upon request. For a copy of PCG’s Insider Trading policies and procedures, please contact David Johnson, Managing Member of PCG, at (908) 603-1250.

## **Participation or Interest in Client Transactions**

*PCG or individuals associated with PCG may, as a broker or agent, effect securities transactions for compensation for clients.*

Individuals associated with PCG are also registered representatives of First Allied Securities, Inc. (“First Allied”), a FINRA registered broker-dealer. To the extent that clients wish these individuals to implement any recommendations made by PCG, the purchase or sale of any securities in conjunction with the implementation of such recommendations is made through First Allied. Clients are free to implement PCG’s recommendations through any broker-dealer that they choose.

*PCG or individuals associated with PCG may buy or sell securities that it also recommends to clients.*

As this situation may represent a conflict of interest, PCG has established the following restrictions in order to ensure its fiduciary responsibilities:

1. A member or employee of PCG shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his/her employment unless the information is also available to the investing public upon reasonable inquiry. No person of PCG shall prefer his/her own interest to that of the advisory client.
2. PCG maintains a list of all securities holdings for itself and anyone associated with this advisory practice with the access to advisory recommendations. These holdings are reviewed on a regular basis by David Johnson, Manager of PCG.
3. PCG emphasizes the unrestricted right of the client to decline to implement any advice rendered.
4. PCG requires that all individuals must act in accordance with all applicable federal & state regulations governing registered investment advisory practices.
5. Any individual not in observance of the above may be subject to termination.

## **BROKERAGE PRACTICES**

### **Brokerage Selection**

#### Best Execution

Best execution has been defined by the SEC as the “execution of securities transactions for clients in such a manner that the client’s total cost or proceeds in each transaction is the most favorable under the circumstances.” The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer’s services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

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 among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while PCG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests PCG to arrange for the execution of securities brokerage transactions for the client’s account; PCG shall direct such transactions through broker-dealers that PCG reasonably believes will provide best execution. PCG shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its client in light of its duty to obtain best execution.

#### Broker Analysis

PCG evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer’s trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving PCG.

Also in consideration is such broker-dealers’ provision or payment of the costs of research and other investment management-related services (the provisional payment of such costs by brokers are referred to as payment made by “soft dollars”, as further discussed in the “Research/Soft Dollars Benefits” section immediately below). Accordingly, if PCG determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

PCG’s Managing Member is responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for our

client accounts to ensure consistent quality executions. In addition, PCG periodically reviews its transaction costs in light of current market circumstances and other relevant information.

## **Research/Soft Dollar Benefits**

### Overview

PCG's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities.

As required by Section 28(e), PCG will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, PCG will generally determine, considering all the factors described below, that the compensation to be paid to the broker is reasonable in relation to the value of all the brokerage and research products and services provided by the broker.

In making this determination, PCG will typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in PCG's performance of its overall responsibilities to all of its clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

### *Research and Brokerage Products and Services*

"Research" products and services PCG may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to PCG in the performance of its investment decision-making responsibilities.

Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit PCG to effect securities transactions and perform functions incidental to transaction execution. PCG generally uses such products and services in the conduct of its investment decision-making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

### *Other Uses and Products*

PCG may use some products or services not only as "research" and as brokerage (i.e., to assist in making investment decisions for clients or to perform functions incidental to transaction execution) but for administrative and other purposes as well. In these instances, PCG will make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable making investment decisions and executing transactions is paid with commission dollars and PCG bears the cost of the balance. PCG's interest in making such an allocation differs from clients' interest, in that PCG has an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that PCG must pay directly.

### **Directed Brokerage**

#### First Allied

As discussed in the section entitled "Other Financial Industry Activities and Affiliations" on page 10 of this disclosure brochure, certain investment adviser representatives affiliated with PCG are, in their respective individual capacities, registered representatives of First Allied Securities, Inc. These individuals are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless such broker-dealer provides written consent.

Clients are advised that these individuals may be restricted to conducting securities transactions through these broker-dealers unless they first secure written consent from such broker-dealers to execute securities transactions through a different broker-dealer. Absent such written consent or separation from these broker-dealers, these individuals are prohibited from executing securities transactions through any other broker-dealer under such broker-dealer's internal supervisory policies. PCG is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

#### Client Direct Brokerage

Certain clients may direct PCG to use particular brokers for executing transactions in their accounts. With regard to client directed brokerage, PCG is required to disclose that PCG may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates PCG might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money.

As a general rule, PCG encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker to the client in exchange for the directed brokerage designation.

## **Trade Aggregation/Allocation**

### **Portfolio Management**

It is the objective of PCG to provide a means of allocating trading and investment opportunities between advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. With respect to clients' accounts with substantially similar investment objectives and policies, PCG may often seek to purchase or sell a particular security in each account. PCG will aggregate orders only when such aggregation is consistent with PCG's duty to seek best execution and is consistent with the investment objective of each client. No client account will be unfairly favored over any other account. Each client that participates in an aggregated order will participate based on the average execution price in that particular security. All transaction costs will be allocated pro rata based on each client's participation in the transaction. All securities purchased or sold, whether the order is filled completely or partially, will then be allocated pro rata based on the assets of each account.

### **Financial Planning and Consulting**

PCG's financial planning practice, due to the nature of its business and client needs, does not include blocking trades, negotiating commissions with broker dealers or obtaining volume discounts, nor necessarily obtaining the best price. Clients will be required to select their own broker dealers and insurance companies for the implementation of financial planning and/or consulting recommendations. PCG may recommend any one of several brokers. PCG clients must independently evaluate these brokers before opening an account. The factors considered by PCG when making this recommendation are set forth above. PCG's financial planning and consulting clients may use any broker or dealer of their choice.

## **Trade Errors**

Trade errors are promptly reported to the custodian and will be rectified by the custodian with no adverse financial effect on the client.

## **REVIEW OF ACCOUNTS**

### **Investment Supervisory Services**

#### **Separately Managed Account Program**

Accounts are reviewed no less frequently than annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines, ensuring that the structure of the client's portfolio is coordinated with these objectives. In addition, investment returns will be measured against the appropriate benchmarks in each asset class. 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.

Clients will receive statements at least quarterly. Clients may also receive reports directly from the independent money manager and should consult the independent money manager's disclosure brochure for additional information on the types and frequency of reports.

#### Wrap Fee Program

While the underlying securities within Wrap Fee Program accounts are continuously monitored, these accounts are reviewed no less frequently than annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines, ensuring that the structure of the portfolio is coordinated with these objectives. 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.

PCG will provide clients with quarterly evaluation reports analyzing the performance of the clients' accounts in relation to various market indices.

#### **Financial Planning Services**

These client accounts will be reviewed as contracted for at the inception of the advisory relationship. Financial Planning clients will typically receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for at the inception of the advisory relationship.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

PCG does not receive any economic benefit from non-clients for the provision of investment advice to its clients nor does PCG retain the services of solicitors.

### **CUSTODY**

PCG is deemed to have custody because PCG deducts its fees directly from client accounts.

Custody of client assets will be maintained with the independent custodian selected by the client. PCG will not have physical custody of any assets in the client's account except as permitted for payment of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize PCG to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. Clients are urged to carefully review the account statement sent by the broker-dealer/custodian and to compare the account statement provided by the broker-dealer/custodian with any statements provided by PCG.

## **INVESTMENT DISCRETION**

For those client accounts over which PCG has discretion, PCG requests that it be provided with written authority (e.g., limited power of attorney contained in PCG's investment supervisory agreement) to determine the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments shall be submitted in writing.

PCG generally has discretionary authority to make the following determinations without obtaining the consent of the client before the transactions are effected: (1) which securities are bought and sold for the account and (2) the total amount of securities to be bought and sold. PCG's authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between PCG and the client.

## **VOTING CLIENT SECURITIES**

### **Proxy Voting**

PCG does not vote proxies on behalf of its clients. Therefore, the client that maintains exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. PCG and/or the client shall instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clients can contact Jonathan Pond, David Johnson, Managing Member of PCG, at (908) 603-1250 if they have questions regarding a particular solicitation.

### **Class Action Settlements**

Although PCG has discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

## **FINANCIAL INFORMATION**

### **Prepayment of Fees**

Because PCG does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, PCG is not required include a balance sheet with this disclosure brochure.

### **Financial Condition**

PCG does not have any adverse financial conditions to disclose.

### **Bankruptcy**

PCG has never been the subject of a bankruptcy petition.

## **PRIVACY NOTICE**

PCG views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. PCG does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, PCG may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. PCG restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for PCG. As emphasized above, it has always been and will always be PCG's policy never to sell information about current or former clients or their accounts to anyone. It is also PCG's policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of PCG's Privacy Policy, please contact David Johnson, Managing Member of PCG, at (908) 603-1250.

## **CLIENT COMPLAINTS**

Clients may contact David Johnson, Managing Member of PCG, at (908) 603-1250 to submit a complaint. Written complaints should be sent to PCG Asset Management, LLC, 376 Main Street, Suite 200, Bedminster, NJ 07921.