

## Form ADV – Part 2A: Firm Brochure

### **Pettinga Financial Advisors, LLC**

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Evansville, Indiana 47708

812-436-4000

[www.pettinga.com](http://www.pettinga.com)

June 2011

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#### **Item 1 – Cover Page**

This Firm Brochure provides information about the qualifications and business practices of Pettinga Financial Advisors, LLC ("Pettinga"). If you have any questions about the contents of this Firm Brochure, please contact our Chief Compliance Officer, Tonya F. Borders, at 812-436-4000. The information in this Firm Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Pettinga is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.

Additional information about Pettinga is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by firm name or by a unique identifying number, known as a CRD number. The CRD number for Pettinga is 156369.

## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission (“SEC”) published “Amendments to Form ADV” which amends the disclosure document that Pettinga Financial Advisors, LLC (“Pettinga”) provides to clients as required by SEC rules. This Firm Brochure dated April 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that Pettinga’s previous Form ADV – Part 2 and Schedule F did not require.

In the future, this item will discuss only specific material changes that are made to the Firm Brochure and provide readers with a summary of such changes. We will also reference the date of the last annual update of our Firm Brochure.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to the new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business’ fiscal year. Our fiscal year ends on December 31 so you will receive the summary of material changes no later than April 30 each year. At that time, we will also offer a copy of the most current Firm Brochure.

Currently, Pettinga’s Firm Brochure may be requested by contacting our Chief Compliance Officer, Tonya F. Borders, at 812-436-4000.

Additional information about Pettinga is also available via the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Pettinga who are registered, or are required to be registered, as investment advisor representatives of Pettinga.

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## **Item 4 – Advisory Business**

### **About Pettinga and Its Ownership Structure:**

Pettinga Financial Advisors, LLC (“Pettinga”) is a Limited Liability Company organized in Delaware. Pettinga is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) and is a successor to Pettinga Financial Advisors, Inc., which was first registered with the SEC in 1994. Pettinga is managed by the following individuals through a Management Agreement between PFA Management, Inc. and Focus Operating LLC:

*Mr. Mark V. Pettinga, JD, CFP®*  
Chief Executive Officer  
Financial Advisor

*Mrs. Tonya F. Borders, CPA*  
Chief Financial Officer  
Chief Compliance Officer  
Chief Operating Officer

*Mr. Brian J. Goebel, CPA, PFS, CFP®*  
Chief Investment Officer  
Financial Advisor

*Mr. Matthew E. Volkman, CPA, PFS, CFP®*  
Financial Advisor

*Mr. Joseph M. Danks*  
Director of Operations

Pettinga is owned by Focus Operating LLC, which is owned by Focus Financial Partners, LLC. Focus Financial Partners, LLC is owned by Summit Ventures VI-A, L.P., which is owned by Summit Partners VI (GP), LP, which is owned by Summit Partners VI (GP), LLC.

Pettinga Financial Advisors, LLC succeeded to the business of Pettinga Financial Advisors, Inc. on December 31, 2010.

Pettinga has been providing advisory services since 1994.

### **Financial Planning:**

Pettinga provides independent, comprehensive financial planning on a purely fee-only basis. Pettinga is engaged only after Pettinga and the client agree that our services can provide value in excess of our fee.

Pettinga develops a comprehensive written financial plan based upon data provided by the client and information gathered from personal in-depth interviews between Pettinga and the client. The draft plan is reviewed with the client and amended if changes are needed. The formal plan is agreed upon and action elements are generally implemented in less than a 12 month period. Elements of a financial plan include retirement planning, estate planning, life insurance planning, college funding, and investment allocation analysis.

### **Investment Management:**

Pettinga provides independent, fee-only investment management to its clients. Each client's portfolio is unique and represents that client's investment goals, tolerance for risk, and long-term investment return objectives. A detailed asset allocation is created for each client. The asset allocation reflects that client's investment objectives. Specific investments are recommended only if they serve a specific function in that client's asset allocation. As a result, no two client portfolios are identical. Pettinga recommends no-load mutual funds, exchange traded funds, independent money managers and investment grade fixed income securities to its clients. Covered calls may be written on certain investments if advisor and client agree it is an appropriate strategy for the client. Pettinga does not regularly recommend individual stocks but may give opinions and execute transactions for clients on certain individual securities the client desires. Non-exclusive examples of how Pettinga works with clients on individual stocks include diversifying clients out of concentrated positions or building a portfolio of dividend-paying equities to enhance cash flow. Pettinga utilizes Morningstar Principia and data provided by Charles Schwab to determine which mutual funds and money managers are suitable for client use.

### **Client Assets Managed by Pettinga:**

As of December 31, 2010, Pettinga managed \$574,597,421 on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **General Fee Information:**

The specific manner in which Pettinga Financial Advisors, LLC ("Pettinga") charges fees is established in a client's written agreement. Fees are generally billed on a quarterly basis. Clients are billed in arrears each calendar quarter. Clients may elect to be billed directly for fees or authorize Pettinga to directly debit fees from client accounts. At times, related client accounts may be grouped together for purposes of calculating the fee. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Pettinga's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges

imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Pettinga's fee, and Pettinga shall not receive any portion of these commissions, fees, and costs.

### **Financial Planning Fees:**

Financial planning fees are quoted on a "project" basis in advance of the client entering into a relationship with Pettinga. Fees cover a 12 month project period and are billed quarterly in arrears. For projects lasting less than 6 months, one half of the fee is billed up front with the balance billed upon completion of the project. There is no set fee schedule as each project fee is proposed based upon time anticipated to complete the project. Financial planning relationships may be terminated at will by the client. The final invoice will represent the balance due under the agreement between Pettinga and the client.

### **Investment Management Fees:**

Investment management fees are typically in the form of a percentage of assets for which Pettinga has responsibility. Currently, fees are charged according to the following schedule:

First	\$1,000,000.....	1.25%
Next	\$2,000,000.....	1.00%
Next	\$2,000,000.....	0.80%
Over	\$5,000,000.....	0.60%

Fees may also be charged on a "flat" basis quarterly in arrears where Pettinga and the client have agreed in advance that the fee charged will be of a specific dollar amount. Percentage of asset fees are billed quarterly in arrears based on account values per client brokerage statements provided by the custodian(s) of the assets at the end of each quarterly billing cycle. For billing purposes, Pettinga relies on the accuracy of brokerage statements provided by the custodian(s) and makes no adjustments to securities prices reported on such statements. Interest accrued on fixed income securities is not counted towards the value of accounts for billing purposes.

Clients pay Pettinga a fee for asset allocation, investment analysis and portfolio monitoring services. Clients also pay fees to the mutual funds and/or money managers who supply the daily management of the client's investment dollars. As a result, clients of Pettinga are paying investment fees to both Pettinga and mutual funds and/or money managers. Clients may pay brokerage fees and/or commissions on securities trades, also. Pettinga never receives any money from mutual funds, money managers or brokerage firms. The

investment management relationship is terminable at will. Fees will be prorated and billed through the last date of the relationship.

### **Limited Negotiability of Fees:**

Although Pettinga has established the aforementioned fee schedule, we retain the discretion to negotiate alternative fee on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reports, among other factors. The specific fee schedule will be identified in the agreement between the advisor and each client.

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

Pettinga Financial Advisors, LLC does not charge or accept any performance-based fees which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

### **Item 7 – Types of Clients**

Pettinga Financial Advisors, LLC generally provides investment management services to the following types of clients:

- Individuals
- High net worth individuals
- Pension and profit sharing plans
- Charitable organizations
- Corporations or other businesses not listed above

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

#### **Methods of Analysis & Investment Strategies:**

Each of Pettinga Financial Advisors, LLC's ("Pettinga") client portfolios is unique and represents that client's investment goals, tolerance for risk, and long-term objectives. Rather than focus primarily on security selection, a detailed asset allocation is created for each client. The asset allocation reflects that client's investment goals, objectives, and risk tolerance through determination of an appropriate ratio of equities, fixed income and cash. Specific investments are recommended only if they serve a specific function in that client's asset allocation. As a result, usually no two client portfolios are identical.

Pettinga primarily recommends no-load mutual funds and exchange traded funds to its clients. We look at the experience and track record of the manager of the mutual fund or

exchange traded fund in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or exchange traded fund in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the mutual funds and exchange traded funds in an attempt to determine if they are continuing to follow their stated investment strategy. Pettinga utilizes Morningstar Principia to determine which mutual funds and exchange traded funds are suitable for client use.

At times, Pettinga may recommend an independent money manager. Prior to doing so, we examine the experience, expertise, investment philosophies, and past performance of these managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks. Pettinga utilizes data provided by Charles Schwab to determine which money managers are suitable for client use.

Finally, Pettinga may, at times, recommend investment grade fixed income securities to its clients.

Covered calls may be written on certain investments if the advisor and client agree it is an appropriate strategy for the client. Pettinga does not regularly recommend individual stocks but may give opinions and execute transactions for clients on certain individual securities that a client desires. Non-exclusive examples of how Pettinga works with clients on individual stocks are diversifying clients out of concentrated positions or building a portfolio of dividend paying equities to enhance cash flow.

#### **Risk of Loss:**

Investing in securities involves risk of loss that clients should be prepared to bear.

All investments present the risk of loss of principal – the risk that the value of securities, when sold or otherwise disposed of, may be less than the price paid for the securities. Even if the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment. More information about the risk of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector.

#### **Item 9 – Disciplinary Information**

As a registered investment advisor, Pettinga Financial Advisors, LLC ("Pettinga") is required to disclose all material facts regarding any legal or disciplinary events that would be



material to a client's or prospective client's evaluation of our business or the integrity of our management personnel. Both Pettinga and its management personnel have no reportable legal or disciplinary events to disclose.

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

Pettinga Financial Advisors, LLC ("Pettinga") is a subsidiary of Focus Operating, LLC, which is a subsidiary of Focus Financial Partners, LLC ("Focus"). (See Item 4 above for a complete discussion of the ownership of Pettinga.) Focus also controls other registered investment advisors, broker-dealers, pension consultants, insurance firms, and other financial services firms (the "Focus Affiliates"). The Focus Affiliates may provide, among other services, wealth management, benefit and other investment consulting services that may serve individuals, families, employers and institutions. Some Focus Affiliates also manage or advise limited partnerships, private funds or limited liability companies as disclosed on their respective Form ADV Schedule D.

A list of the affiliated investment advisers and broker-dealers can be found on Pettinga's Form ADV Part 1 Schedule D. Additional information about Focus and the Focus Affiliates can be found at [www.pettinga.com](http://www.pettinga.com) and each respective investment advisor's Form ADV is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Pettinga has no material relationship or conflict of interest with Focus or the Focus Affiliates regarding services being provided to Pettinga's clients.

## **Item 11 – Code of Ethics**

Pettinga Financial Advisors, LLC ("Pettinga") has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. Pettinga's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth Pettinga's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with Pettinga may buy or sell securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of Pettinga that no person employed by the firm shall prefer his or her own interest to that of a client or make personal investment decisions based on investment decisions of clients.

Pettinga employees may buy or sell securities that the firm recommends to clients. Pettinga maintains a formal policy manual which has been acknowledged in writing by every employee of the firm. The firm has a strict policy against entering into transactions that might pose a conflict of interest between employees and clients. Pettinga employees are forbidden from purchasing or selling securities, other than open-end mutual funds, immediately prior to the purchase or sale of the same securities by a client. Investment accounts of Pettinga employees are reviewed quarterly by the Chief Compliance Officer to

ensure adherence to this policy. In addition, all trading activity of both clients and Pettinga personnel are reviewed daily for possible conflicts of interest.

Pettinga's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. Pettinga requires that all employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any employee not in observance of the above may be subject to discipline.

Pettinga is happy to provide a complete copy of its Code of Ethics to any client or prospective client upon request.

### **Item 12 – Brokerage Practices**

Pettinga Financial Advisors, LLC ("Pettinga") does not require clients to use a particular custodian, however Pettinga generally suggests clients utilize Charles Schwab Institutional ("Schwab") or Fidelity Investment Advisor Group ("Fidelity"). These recommendations are based upon quality execution and the well established back office operational platforms both of these firms have developed for independent investment advisory firms like Pettinga to manage client assets effectively and efficiently. Pettinga is totally independent of Schwab and Fidelity and receives no direct compensation for suggesting clients utilize these custodians. Pettinga maintains sufficient assets at both firms so that any fee those firms might assess an investment advisory firm for use of their platform is waived, which is an economic benefit to Pettinga. Not all investment advisors require their clients to direct brokerage execution to certain brokerage firms.

Schwab and Fidelity make available software and other technologies that provide access to client account data, such as trade confirmations and account statements, facilitate trade execution, pricing information and other market data, facilitate payment of Pettinga's fees from client accounts, and assist with back office support, recordkeeping and client reports.

Clients of Pettinga pay Schwab and Fidelity commissions, as is customary, when stocks or bonds are bought or sold through Schwab or Fidelity. Pettinga believes that the cost of those transactions is very low relative to almost every other custodian. Many transactions are performed using no-load (non-commissioned) mutual funds which carry no transaction fee. Based upon Schwab's and Fidelity's strong trade execution history and Pettinga's desire to execute trades in the most efficient manner for clients in general, Pettinga does not seek additional quotes for stock or bond transactions in addition to quotes supplied by Schwab or Fidelity (the executing broker).

Some clients, upon establishing a relationship with Pettinga, already have a relationship with a broker and instruct Pettinga to execute transactions through that broker. In the event that a client directs Pettinga to use a particular broker or dealer, it should be understood that under those circumstances Pettinga will not have authority to negotiate

commission, obtain volume discounts and best execution may not be achieved. In addition, under these circumstances trades will not be included in any allocation of any "blocked" trades, if any, (i.e., blocking trades for multiple clients pro-rata), and a disparity in commission charges may exist between clients specifying brokerage and the commission costs incurred by other clients.

If a Pettinga representative makes an error when placing a trade at Fidelity and the trade is corrected after the trade settles, Pettinga will be responsible for any losses. Pettinga's policy is to not accept those errors that result in gains and allow the client to benefit from the trade error. Pettinga will be responsible for losses on trade errors corrected before settlement. Pettinga does not participate in gains corrected before settlement. If a trade is submitted erroneously at Schwab, a correcting trade may be placed on behalf of the client. Clients are not responsible for any errors that results in a loss to the client. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, or if it is not permissible for the client to retain the gain, or Pettinga confers with the client and the client decided to forego the gain (e.g. due to tax reasons).

There may be instances when an investment transaction that is suitable for or desired by multiple clients can only be partially completed. This might be the case where a municipal bond might be suitable for more than one client, but insufficient quantity of the bond exists on the market to fully satisfy the demands of each client in question. Pettinga's allocation procedures in these circumstances call for the fair and equitable treatment of each client and for no client to be favored over another. Fairness of allocation is determined on a case by case basis. Factors considered include: proportionate affect of the trade on each client account, whether an account missed out on an opportunity in an earlier instance, and importance of the security in question to each client involved. Proper implementation of the allocation policy is verified on a continuous and regular basis by the Chief Compliance Officer.

### **Item 13 – Review of Accounts**

Pettinga Financial Advisors, LLC ("Pettinga") representatives review accounts internally on a monthly basis. Reviews with clients are conducted on a regular, typically quarterly, basis. Some clients choose to meet personally; others choose to meet via teleconference.

In preparation for most client meetings, a performance report is prepared utilizing software Pettinga has purchased. This report is provided to the client. Mutual fund and money manager performance is reviewed to assess whether performance criteria are met. On a macro level, the client's portfolio asset allocation is reviewed to be certain overall investment objectives are being adhered to. In other words, we make certain that the client continues to hold a portfolio with a makeup of bonds, stocks, cash, real estate, alternatives, etc. that matches that client's investment goals, objectives and risk tolerance. Although Pettinga establishes investment guidelines as a firm (such as mutual funds the

firms will recommend), clients may experience different results because of how each Pettinga representative implements portfolio guidelines.

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

Pettinga does not have any referral compensation arrangements.

As indicated under the disclosure for Item 12, Charles Schwab Institutional (“Schwab”) and Fidelity Investment Advisor Group (“Fidelity”) each respectively provide Pettinga with access to products and services, which are not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis at no charge to them. These services provide a benefit to Pettinga but may not benefit client accounts.

In addition to those products and services mentioned in Item 12 above, Schwab and Fidelity may also provide other services intended to further Pettinga’s business enterprise. These may include consulting, publications, and presentations on practice management, information technology, business succession, regulatory compliance and marketing. Pettinga representatives have attended conferences sponsored by Schwab where expenses of attending the conferences including lodging, meals and other activities were covered by Schwab.

The benefits received through participation in both the Schwab and Fidelity programs do not depend upon the number of transactions directed to or amount of assets custodied by the particular custodian.

#### **Item 15 – Custody**

Clients will receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. Pettinga Financial Advisors, LLC (“Pettinga”) does not have custody of clients’ cash or securities; all clients’ cash and securities are held with an independent, qualified custodian.

Pettinga urges you to carefully review such statements regarding your holdings and market value and any advisory fee calculations regarding fees paid to Pettinga, as outlined in our agreement, and compare such official custodial records to the statements or reports which we may provide to you. Our statements and report may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

Pettinga Financial Advisors, LLC’s (“Pettinga”) investment management services are provided on a discretionary basis. We have the authority to place trades, i.e. determine the

securities and amount of the securities to be bought or sold, in a client's account without obtaining client consent prior to the transaction. As a standard of practice, however, we consult with our clients prior to making significant changes to their account even when thought discretionary trading authority has been granted.

#### **Item 17 – Voting Client Securities**

Pettinga Financial Advisors, LLC's ("Pettinga") policy is to not vote proxies for clients. Thus, clients will receive applicable proxies directly from the issuer of securities held in clients' investment portfolios.

#### **Item 18 – Financial Information**

As a registered investment advisor, Pettinga Financial Advisors, LLC ("Pettinga") is required to provide certain financial information or disclosures about Pettinga's financial condition. Pettinga has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.