

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

**Item 1 – Cover Page**

**Piershale Financial Group, Inc.**

407 East Congress Parkway, Suite C

Crystal Lake, Illinois 60014

815-455-6453

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

Date of Disclosure Brochure: August 2016

---

This Wrap Fee Program Brochure provides information about the qualifications and business practices of Piershale Financial Group, Inc. (also referred to as we, us and Piershale Financial throughout this disclosure brochure). If you have any questions about the contents of this brochure, please contact us at 815-455-6453 or [info@piershalefinancial.com](mailto:info@piershalefinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Piershale Financial is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Piershale Financial Group, Inc. or our firm's CRD number 156862.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since our last annual amendment filed in March 2016, updates have been made to Item 6 to better describe our current Methods of Analysis and Investment Strategies. At Item 4, we have added a paragraph to disclose the services received from Rearden Development Corporation. We've included a description of the way we "Household" accounts at Item 4.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

### Item 3 – Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Services, Fees and Compensation .....	4
Fees and Compensation .....	6
Brokerage Arrangements .....	7
Institutional Trading and Custody Services .....	8
Other Products and Services .....	8
Independent Third Parties .....	9
Directed Brokerage .....	9
Block Trading .....	9
Client Assets Managed by Piershale Financial .....	9
Item 5 – Account Requirements and Types of Clients .....	10
Minimum Account Size .....	10
Types of Accounts .....	10
Household Summary .....	10
Item 6 – Portfolio Manager Selection and Evaluation .....	10
General Description of Other Advisory Services .....	11
Specialization .....	11
Limits Advice to Certain Types of Investments .....	11
Tailor Advisory Services to Individual Needs of Clients .....	12
Performance-Based Fees and Side-By-Side Management .....	12
Methods of Analysis .....	13
Investment Strategies .....	14
Risk of Loss .....	14
Voting Client Securities .....	15
Item 7 – Client Information Provided to Portfolio Managers .....	15
Item 8 - Client Contact with Portfolio Managers .....	16
Item 9 - Additional Information .....	16
Disciplinary Information .....	16
Other Financial Industry Activities and Affiliations .....	16
Registered Representative of a Broker-Dealer .....	16
Insurance Agent .....	17
Interest in Client Transactions and Code of Ethics .....	17
Affiliate and Employee Personal Securities Transactions Disclosure .....	17
Account Reviews .....	18
Account Statements and Reports .....	18
Client Referrals .....	18
Financial Information .....	18

## Item 4 – Services, Fees and Compensation

Piershale Financial is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a corporation formed under the laws of the State of Illinois.

Piershale Financial offers asset management services through our *Piershale Fee Offset Account for Ultra High Net Worth Clients* program (referred to as the “Piershale Fee Offset Program”) a wrap fee management program. This program is offered as an alternative to our standard (i.e. non-wrap fee) asset management relationship and is available for clients with initial portfolio assets of \$1,000,000.

In our Piershale Fee Offset Program, clients elect a bundled “wrap fee” payment option meaning advisory services (i.e. asset management) and transaction costs (i.e. ticket charges and brokerage transaction fees) are provided for one fee. Because of this pricing, our Piershale Fee Offset Program is considered a wrap fee program. Whenever a fee is charged for services described in this Wrap Fee Program Brochure, we will receive a portion of the fee charged with a portion paid to the broker/dealer-custodian of your account for their brokerage services.

Depending on a number of factors, such as the number, size and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time could be more or less than what these fees and charges would be if the same services were provided on a separate basis (i.e., on a non-wrap fee basis). Bundled fees generally provide an economic incentive for the advisory firm to select investments and strategies that minimize trading costs. Frequent trading in an account where transaction fees are included as part of the overall advisory fee to the client drive trading costs higher and reduce the overall fee revenue to the advisor. As a result, higher trading costs in a bundled fee account have a negative impact on the advisory firm’s profitability.

Although the basis on which the custodian assesses custody and transaction costs to Piershale Financial is different from the basis on which Piershale Financial charges its clients for the Piershale Fee Offset Program, the program is not designed or expected to be a profit center for Piershale Financial. Piershale Financial expects total extra charges to clients in connection with the Piershale Fee Offset Program to be approximately the same as the costs it pays to the custodian for transactions and custody services for its clients.

### **Fee-Based v. Commission-Based Accounts**

When making the determination of whether one of the advisory programs available through Piershale Financial is appropriate for your needs, you should bear in mind that fee-based accounts, when compared with commission-based accounts, often result in lower costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, the fee-based account arrangements may result in a higher annual cost for transactions. Thus, depending on a number of factors, the total cost for transactions under a fee account versus a commission account can vary significantly. Factors which affect the total cost include account size, amount of turnover, type and quantities of securities purchased or sold, commission rates and your tax situation. It should also be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and Piershale Financial.

You should discuss the advantages and disadvantages of fee-based and commission-based accounts with your adviser representative and you should read this Wrap Fee Disclosure Brochure carefully as it explains, in detail, asset management services provided through the Piershale Fee Offset Program.

### **Asset Management Services**

Piershale Financial offers asset management services, which involves Piershale Financial providing you with continuous and ongoing supervision over your accounts. In providing asset management services, Piershale Financial will continuously monitor your account and make trades in your accounts when necessary. Your account will be managed by Piershale Financial based on your financial situation, investment objectives and risk tolerance. Piershale Financial will actively monitor your account and will make management recommendations and decisions regarding buying, selling, reinvesting or holding securities, cash or other investments. Please refer below to *Investment Discretion* for more information about our discretionary authority.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the "Account"). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

### ***Investment Discretion***

When providing asset management services, Piershale Financial maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction. However, it is the policy of Piershale Financial to consult with you prior to making significant changes in the account even when discretionary trading authority is granted. You may also place reasonable limitations on the discretionary power granted to Piershale Financial so long as the limitations are specifically set forth or included as an attachment to the client agreement.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

### Fees and Compensation

Fees for the Piershale Fee Offset Program are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed.

In the event that a deposit in the amount of \$1,000 or more occurs during a billing period after the fee calculation, the fee for the billing period will be recalculated, pro-rate per diem at the next billing cycle, on the additional deposits. In the event there is a significant withdrawal that occurs during a billing period after the fee calculation and Piershale Financial is aware of the withdrawal in advance (e.g. the clients requests a distribution within a few weeks), the fee for that billing period will be recalculated and applied at the end of the billing period and you will be refunded the pro-rate fee that was attributable to the amount of the withdrawal on the next billing cycle.

Piershale Fee Offset Program services continue in effect until terminated by either party (i.e., Piershale Financial or you) by providing written notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by Piershale Financial to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Clients will be charged an annual fee based upon the amount of assets under management not to exceed the following fee schedule for accounts managed using our **Advance & Preserve** strategies.

<u>Assets Under Management</u>	<u>Annual Fees</u>
First \$500,000	Up to 2.25%
Over \$500,001	2.00%

Accounts managed using **Buy and Hold Strategies** will be charged fees based on the following schedule.

<u>Assets Under Management</u>	<u>Annual Fees</u>
First \$0 – \$200,000	1.75%

\$200,001 – \$500,000	1.50%
Over \$500,001	1.00%

Fees charged for services are non-negotiable.

Piershale Financial believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

We require all investment advisory fees be deducted directly from client accounts. Therefore, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to Piershale Financial.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

If insufficient cash is available to pay such fees, we may trade securities held in the account to cover the unpaid balance. When we liquidate securities it is never equal to the balance of unpaid fees. It is always a close approximation and may include upcoming income payments to the client.

You may incur certain charges imposed by third parties other than Piershale Financial in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Piershale Financial are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus. Piershale Financial does not receive any portion of such fees from you or the qualified custodian.

### Brokerage Arrangements

Piershale Financial may require that clients establish brokerage accounts with the Schwab Advisor Services 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 Piershale Financial may require that clients establish brokerage accounts with Schwab, Piershale Financial is independently owned and operated and not affiliated with Schwab.

In certain instances and subject to approval by Piershale Financial, Piershale Financial will recommend to clients certain broker-dealers and/or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Piershale Financial will be made by and in the sole discretion of the client.

Piershale Financial does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

**Institutional Trading and Custody Services**

Schwab provides Piershale Financial with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab. These services are not contingent upon Piershale Financial 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 that would require a significantly higher minimum initial investment.

**Other Products and Services**

In addition to the benefits and services described below, we have entered into a Client Benefit Confirmation Agreement whereby Schwab has agreed to provide an agreed upon (between us and Schwab) annual dollar commitment for technology expenses. The agreement is based on the expectation that we continue to have a minimum dollar amount in client assets/statement equity held in Schwab accounts.

Schwab also makes available to Piershale Financial other products and services that benefit Piershale Financial but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Piershale Financial's accounts, including accounts not maintained at Schwab. Schwab also makes available to Piershale Financial its managing and administering software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing, and other market data
- facilitate payment of Piershale Financial's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

Schwab also offers other services intended to help Piershale Financial manage and further develop its business enterprise. These services may include:

- compliance, legal, and business consulting
- publications and conferences on practice management and business succession
- 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 Piershale Financial. Schwab 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 Piershale Financial. Schwab may also provide other benefits such as educational events or occasional business entertainment of Piershale Financial personnel.

In evaluating whether to require that clients custody their assets at Schwab, Piershale Financial 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 it considers, and not solely the nature, cost, or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.



### **Independent Third Parties**

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

### **Directed Brokerage**

Not all investment advisors require or even recommend a particular broker/dealer. Some investment advisors allow clients to select the broker/dealer. However, in most instances, Piershale Financial typically requires Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf. This decision is based primarily on compliance and operational efficiency purposes.

Occasionally, clients may direct Piershale Financial (with its written agreement) to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Piershale Financial derives from aggregating transactions. Such client trades are typically affected after the trades of clients who have not directed the use of a particular broker-dealer. Piershale Financial loses the ability to aggregate trades with other Piershale Financial advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

### **Block Trading**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when Piershale Financial believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Piershale Financial uses the average price allocation method for transaction allocation.

Under this procedure Piershale Financial will calculate the average price and transaction charges for each transaction included in a block order and assign the average price and transaction charge to each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which Piershale Financial or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

### **Client Assets Managed by Piershale Financial**

The amount of clients' assets managed by Piershale Financial totaled \$179,931,954 as of May 31, 2016. \$165,931,037 is managed on a discretionary basis and \$14,000,917 is managed on a non-discretionary basis. In addition, our investment advisory representatives, in the separate capacities as Triad Advisors, Inc. ("Triad") registered representatives, oversee approximately \$42,350,333 of client assets held in Triad brokerage accounts and investment company accounts.

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

### **Minimum Account Size**

This program is offered as an alternative to our standard (i.e. non-wrap fee) asset management relationship for clients with initial portfolio assets of \$1,000,000. To reach this account minimum, clients can aggregate all household accounts. Exceptions may be granted to this minimum at our sole discretion.

### **Types of Accounts**

Piershale Financial generally provides investment advice to Individuals and High Net-Worth Individuals. You are required to execute a written agreement with Piershale Financial specifying the particular advisory services in order to establish a client arrangement with Piershale Financial.

### **Household Summary**

Piershale Financial offers the option to “Household” your accounts. With household portfolio management, rather than treat each account as a separate part of your portfolio we manage the accounts together treating them as the client’s total portfolio. Two benefits to the approach include:

1. **Decreased Trading Costs:** By avoiding duplication of identical holdings across multiple accounts, fewer trades are required when reallocating the portfolio.
2. **Access to a broader line-up of portfolio models:** When managed together, total portfolio values can have access to a more diverse line-up of portfolio models that may not otherwise be available to smaller individual accounts.

Household portfolio management is an option and not a requirement for clients. If different accounts need to be managed separately due to individual factors – like differing risk tolerance or different investment guidelines, then household portfolio management will not be utilized. Also, there are times when large differences in account values do not allow for portfolios to be managed in a household.

Although we generally consider house-holding advantageous for our clients, there are some potential negative impacts of house-holding that could arise:

1. Performance returns may vary widely between house-held accounts even though they are within the same model.
2. There may arise issues if the assets need to be split between different parties. For example, in a divorce situation or splitting up of an estate.
3. Please be aware that tax implications are different for qualified and non-qualified accounts and house-holding those accounts together could potentially cause for some tax inefficiency with some investments.

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

Piershale Financial and its Investment Adviser Representatives act as the portfolio manager(s) for accounts receiving under managed through the Piershale Fee Offset Program.

For this service, we do not allow the use of portfolio managers that are not associated with Piershale Financial. In other words, the only portfolio managers selected for managing client assets for our Piershale Fee Offset Program are Investment Adviser Representatives of Piershale Financial. Therefore, conflicts of interest present in other wrap fee programs that make available both affiliated and unaffiliated portfolio managers are not present in our wrap fee program. Because our Asset Management Services program does not provide for outside portfolio managers, we do not have procedures designed to select outside portfolio managers.

#### Administrative Services Provided by Rearden Development Corporation

To help manage accounts and provide investment services, we utilize Rearden Development Corporation (referred to as "Rearden") technology platforms to support data reconciliation, performance reporting, client database maintenance, quarterly performance evaluations, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Rearden will have access to client accounts, but Rearden will not serve as an investment advisor to our clients. We pay Rearden a fixed monthly fee for their services.

#### General Description of Other Advisory Services

In addition to the services described in the brochure, we provide Asset Management Services on a non-wrap fee basis. From a management perspective, there is not a fundamental difference in the way we manage accounts through our standard Asset Management Services versus accounts in our Piershale Fee Offset Program. The only significant difference is the way in which transaction costs are paid.

We also provide Investment Consulting Services to accounts not otherwise managed or maintained by us through our standard asset management programs or through the Piershale Fee Offset Program. Through this service, we provide specific investment recommendations on a quarterly or more frequent basis. Generally, we try to make our investment recommendations the same or similar to those available in our other asset management programs but there are some limitations which create differences in the two programs. For your accounts with limited investment options, you will need to provide the menu of investment options so that we can cater our recommendations to those available in your account.

Only accounts in which we are not "Investment Advisor" of record on the account are eligible for Investment Consulting Services. This may include retirement plans (such as 401(k) plans and 403(b) plans) and other accounts that cannot be moved to one of our standard asset management platforms. Through this service, we will **not** have any authority or responsibility to implement our recommendations. All final decisions to accept our advice and implement our advice are your responsibility. Although the purpose of this service is to recommend specific investments that we think should be held in client accounts, clients are never required or obligated to implement our investment recommendations.

Complete details of our standard Asset Management Services and our Investment Consulting Services are provided in our Form ADV Part 2A: *Firm Brochure*, a copy of which is provided to clients receiving those services.

#### Specialization

Piershale Financial specializes in offering investment supervisory and asset management services as described in this brochure.

#### Limits Advice to Certain Types of Investments

Piershale Financial provides investment advice on the following types of investments:

- Exchange Traded Funds (ETFs)
- Mutual Funds
- Exchange-listed Securities
- Securities Traded Over-the-Counter
- Municipal Securities
- US Government Securities
- Securities Properly Exempted from Registration
- Fixed Income Securities (e.g. Bonds) , Equity Securities (e.g. Stocks)

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

We may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

We primarily hold Exchange Traded Funds (ETFs) in managed accounts. We will also hold or recommend mutual funds and individual equities. We do not typically purchase or recommend individual bonds, but may do so when appropriate based on the investment interests of the client. When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds.

#### Tailor Advisory Services to Individual Needs of Clients

We will primarily place clients in our Advance & Preserve portfolios, but may also manage accounts using our Buy and Hold strategies. Please refer to *Item 4* for the difference in costs associated with the two types of strategies. The Advance & Preserve strategy is more fully described below.

Piershale Financial's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

#### Performance-Based Fees and Side-By-Side Management

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. Piershale Financial **does not charge or accept performance-based fees.**

## Methods of Analysis

Piershale Financial has entered into a service arrangement with an unaffiliated investment research firm to serve as a trade signal provider. The third-party trade signal provider assists us with the development and recommendation of appropriate investment options for our client accounts. Piershale Financial relies heavily on the signal provider, but will have final authority and responsibility to accept or reject all investment recommendations provided by the signal provider. The unaffiliated signal provider will not have access or have any responsibility to make investment changes to or place trades in our client accounts. We pay the signal provider a fixed monthly fee for their services.

Piershale Financial uses the following methods of analysis in formulating investment advice:

Fundamental – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors.

Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Technical – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish

reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

## Investment Strategies

The following are some general investment strategies we use when managing client accounts.

- Long term purchases. Investments held at least a year.
- Short term purchases. Investments sold within a year.

Our primary investment strategy is the **Piershale Advance and Preserve Strategy** which is a tactical, total return strategy that seeks to capture gains in advancing markets and preserve capital in sideways to negative markets. Our strategy emphasizes risk management and is driven by a quantitative, repeatable investment process. The “Advance & Preserve” models consist of sub-models that are weighted to achieve specific risk levels. These sub-models may change depending on market conditions. Some examples of the models used are found below:

**Bull/Calendar Model:** The goal of this portion of the model is be fully invested in equities during Bull Markets and only exposed to the relatively few days with the highest probability of profit during Bear Markets.

**Leveraged Sector Rotation Model:** It is a risk-managed model which invests either in high ranked US Equity sectors, or in high-ranked Bond Sectors.

**Multi-Sector Bond Model:** It is a continuously-invested Model that is reallocated quarterly. The portfolio members are selected from wide-ranging bond sectors on the basis of their rankings identified in our Bond ETF Ranking Table.

## Risk of Loss

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock

equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

### Voting Client Securities

Piershale Financial does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions.

### Item 7 – Client Information Provided to Portfolio Managers

Only Investment Adviser Representatives of Piershale Financial serve as portfolio managers for our Piershale Fee Offset Program. Our associated Investment Adviser Representatives are responsible for gathering all information provided by you. We will interview and work with you to gather all information needed relative to your investment objectives and needs in order to provide management services through our Asset Management Services Program. You are responsible for promptly contacting your Investment Adviser Representative to notify us of any changes to your financial situation that will impact or materially influence the way we manage your accounts. Since we do not use any outside portfolio managers, we do not share your information with any outside portfolio managers.

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

Only Investment Adviser Representatives of Piershale Financial serve as portfolio managers for our Asset Management Services Program. There are no restrictions placed on your ability to contact and consult with their portfolio managers. It is the policy of Piershale Financial to provide for open communications between the Investment Adviser Representatives and clients. You are encouraged to contact your Investment Adviser Representative whenever you have questions about the management of your account(s).

## **Item 9 - Additional Information**

### **Disciplinary Information**

We have no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or the integrity of our management.

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

Piershale Financial is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We are an independent registered investment registered adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with Piershale Financial.

### **Registered Representative of a Broker-Dealer**

Our representatives are also registered representatives of Triad Advisors, Inc., a securities broker-dealer. You may work with your investment adviser representative in his or her separate capacity as a registered representative of Triad Advisors, Inc.

As a result of this relationship, Triad Advisors, Inc. may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about clients of Piershale Financial, even if a client does not establish any account through Triad Advisors, Inc. If you would like a copy of the privacy policy of Triad Advisors, Inc., please contact your investment adviser representative. When acting in his or her separate capacity as a registered representative, your investment adviser representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, your investment adviser representative may suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.



You are under no obligation to use the services of our representatives in this separate capacity or to use Triad Advisors, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use Triad Advisors, Inc. Prior to effecting any such transactions, you are required to enter into a new account agreement with Triad Advisors, Inc. The commissions charged by Triad Advisors, Inc. may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

### Insurance Agent

You may work with your investment adviser representative in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment adviser representative may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, your investment adviser representative in his or her separate capacity as an insurance agent may suggest that you implement recommendations of Piershale Financial by purchasing disability insurance, life insurance, annuities, or other insurance products. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative.

### Interest in Client Transactions and Code of Ethics

In accordance with the Advisers Act, Piershale Financial has adopted policies and procedures designed to detect and prevent insider trading. In addition, Piershale Financial has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Piershale Financial's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Piershale Financial.

Piershale Financial has policies and procedures in place to ensure that the interests of its clients are given preference over those of Piershale Financial, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

This section is intended to provide a summary description of our Code of Ethics. If you wish to review the Code of Ethics in its entirety, you should call or send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

### Affiliate and Employee Personal Securities Transactions Disclosure

Piershale Financial, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may affect securities transactions for their own accounts that differ from those recommended or affected for other the firm's clients. Piershale Financial will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee, or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of the firm to place the client's interests above those of Piershale Financial and its employees.

Piershale Financial does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Piershale Financial does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

#### Account Reviews

Managed accounts are reviewed at least annually. While the calendar is the main triggering factor, reviews can also be conducted at your request. Reviews include investment strategy and objectives review and making a change in the event strategy and objectives have changed. In addition to account reviews, underlying investments held in our client accounts are reviewed on a weekly or monthly basis depending on the strategies and types of investments. Reviews may be conducted by any of Piershale Financial's Investment Adviser Representatives in accordance with your investment goals and objectives.

#### Account Statements and Reports

Piershale Financial typically provides written reports to clients on a quarterly basis. These reports include changes in market values, current and historical time-weighted performance statistics.

Piershale Financial will provide reports showing the investment performance of a client's account. The client's independent custodian also provides regular account statements directly to the client. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Piershale Financial.

#### Client Referrals

Piershale Financial does not directly or indirectly compensate any person for client referrals.

The only compensation received from advisory services is the fees charged for providing investment advisory services. Piershale Financial receives no other forms of compensation in connection with providing investment advice.

#### Financial Information

Piershale Financial does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Piershale Financial has not been the subject of a bankruptcy petition at any time.

4822-6023-2758, v. 1