

## **Item 1: Cover Page**

# **Piershale Fee Offset Account for Ultra High Net Worth Clients Wrap Fee Program Brochure**

March 27, 2012

## **Piershale Financial Group, Inc.**

SEC File No. 801-70229

407 East Congress Parkway, Suite C  
Crystal Lake, IL 60014

phone: 815-455-6453  
email: [info@piershalefinancial.com](mailto:info@piershalefinancial.com)  
website: [www.piershalefinancial.com](http://www.piershalefinancial.com)

This brochure provides information about the qualifications and business practices of Piershale Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at 815-455-6453. 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 Group, Inc., is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

There have been no material changes to this disclosure brochure since filing our last annual update in March 2011. 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 on-going disclosure information about material changes as necessary.

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## Item 4: Services, Fees, and Compensation

Piershale Financial Group, Inc. ("Piershale Financial" or the "firm") is an Illinois corporation wholly owned by the Michael D. Piershale Living Trust. Piershale Financial is a newly formed investment advisor and offers investment supervisory, asset management, and financial planning services.

### A. Piershale Fee Offset Account for Ultra High Net Worth Clients

As an alternative to its asset management relationship for clients with initial portfolio assets of \$1,000,000, Piershale Financial offers its Piershale Fee Offset Account for Ultra High Net Worth Clients ("Piershale Fee Offset Account"). Under this program, clients pay Piershale Financial one all-inclusive fee, and Piershale Financial pays all custody and transaction costs on their behalf. 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 Account, 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 Account to be approximately the same as the costs it pays to the custodian for transactions and custody services for its clients.

The Piershale Fee Offset Account is intended to comply with Rule 204-3 of the Investment Adviser Act of 1940, as amended, and Rule 3a-4 under the Investment Company Act of 1940, as amended.

#### A.1. Investment Management Services

Piershale Financial's discretionary asset management services are predicated on the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. Piershale Financial will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance, and related financial circumstances. Piershale Financial's objective is to review the client's tax, financial, and estate planning objectives and goals in connection with the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances and make appropriate recommendations and implementation decisions. Piershale Financial may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, Piershale Financial may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

On a quarterly basis, Piershale Financial, in connection with a third-party service provider, will provide clients with reports regarding the performance of their portfolios. In addition, Piershale Financial will monitor those portfolios and make additional recommendations and implementation decisions from time to time to rebalance and/or reallocate each client's investments in accordance with such client's investment policy statement, as applicable.

Piershale Financial's engagement with the client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to Piershale Financial in response to a questionnaire and/or in discussions with the client and reviewed in meetings with Piershale Financial.
- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending individual equity and fixed income securities, mutual funds, and exchange-traded funds.
- Reporting to the client on a quarterly basis—or at some other interval agreed upon with the client—information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).
- Proposing changes in the client's investment policy statement and/or investment portfolio in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund retained by the client.

#### **A.2. Investment Restrictions and Changes in Clients' Financial Circumstances**

In addition to providing Piershale Financial with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolios, and to promptly notify Piershale Financial of any changes in such restrictions or in their personal financial circumstances, investment objectives, goals, and tolerance for risk. On a quarterly basis, the firm's reports to clients will remind them of their obligation to inform Piershale Financial of any such changes or any restrictions that should be imposed on the management of their accounts. Piershale Financial will also contact clients at least annually to determine whether there have been any changes in their personal financial circumstances, investment objectives, and tolerance for risk.

#### **A.3. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

#### **A.4. Fee Schedule**

Annual asset management fees for the Piershale Fee Offset Account are determined based upon the combined market value of all accounts that are part of the client's relationship with the advisor pursuant to following schedule:

*Tiered Pricing Schedule*

<u>Assets Under Management</u>	<u>Fee Schedule</u>
First \$200,000	1.75%
\$200,000–\$500,000	1.50%
From \$500,000+	1.00%

Piershale Financial generally requires a minimum account value of \$150,000 for managed supervisory accounts. Piershale Financial may waive the required minimum account values in special circumstances, and reserves the right to make exceptions to such minimum account values in its sole discretion.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due, with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance. Piershale Financial may modify the fee at any time upon 60 days' written notice to the client. In the event the client has an ERISA-governed plan, fee modifications must be approved in writing by the client.

Generally, fees will be charged in advance. The client and the client's custodian or broker-dealer will be invoiced at the beginning of each calendar quarter based upon the market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous quarter, as mutually agreed upon by the client and Piershale Financial.

These fees include charges for all transaction costs, such as commissions on purchases and sales of stocks, bonds, exchange-traded funds and options, trade-away fees on bonds, and mutual fund transaction fees. Except as otherwise provided below, the client will incur no charges other than the advisor's fee pursuant to the above fee schedule in connection with maintenance of and activity in the client's account. The Piershale Fee Offset Account wrap fee does not include management, administrative, and marketing fees and expenses for mutual and exchange-traded funds. To the extent securities transactions are effected away from the custodian, there may be commission mark-ups and mark-downs that the client will pay in addition to the wrap fee.

The trading cost component of the above-mentioned advisory fees are estimated to range from \$500 - \$1,000 per account per year.

#### **A.4.a. Additional Terms for All Piershale Fee Offset Account Clients**

Asset-based fees are always subject to the investment advisory agreement between the client and Piershale Financial. Such fees are payable quarterly in advance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter. Adjustments for significant contributions to and distributions from a client's portfolio are prorated for the quarter in which the change occurs.

A client investment advisory agreement may be canceled by the client or by Piershale Financial with 30 days' prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

## **B. Disclosure of Cost Difference if Services Purchased Separately**

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. 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.

## **C. Additional Fees**

The fees charged by Piershale Financial do not include fees charged by any exchange-traded fund or mutual fund selected by the client. The management fees for an exchange-traded fund or mutual fund are disclosed in the respective fund's prospectus. Clients are advised to read these materials carefully before investing. All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, and by any broker-dealer or custodian retained by the client. If a mutual fund also imposes sales charges, the client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Piershale Financial may be precluded from using certain mutual funds because they may not be offered by the client's custodian. To the extent that securities are transacted away from Schwab, there may commission mark-ups and mark-downs that the client will pay in addition to the wrap fee.

## **D. Client Payment of Fees**

Piershale Financial will not take custody or possession of client funds or securities at any time except to the extent that Piershale Financial may deduct fees directly from the client's account. Piershale Financial will deduct advisory and custodial fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

## **E. Prepayment of Client Fees**

Piershale Financial requires the prepayment of fees for its asset management services. Piershale Financial's investment advisory fees will either be paid directly by the client or disbursed to the firm by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at

least monthly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled by the client or by Piershale Financial with 30 days' prior written notice. If the agreement terminates other than at the end of a calendar month, Piershale Financial will promptly refund all unearned, prepaid fees to the client. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

## **F. External Compensation for the Sale of Securities to Clients**

Piershale Financial financial advisors are compensated solely through a salary and bonus structure. Piershale Financial is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products.

## **G. Compensation for Recommending the Piershale Fee Offset Account**

The Piershale Fee Offset Account is a proprietary product offered exclusively through Piershale Financial. As such, there are no conflicts of interest in that there are no commissions paid for selling the program.

## **H. Client Assets Under Management**

As of March 2011, Piershale Financial has approximately \$130,000,000 in client assets under management. The entire portion is managed on a discretionary basis. In addition, our investment advisory representatives, in the separate capacities as Triad Advisors, Inc. ("Triad") registered representatives, oversee approximately \$40,000,000 of client assets held in Triad brokerage accounts and investment company accounts.



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

Pershale Financial offers its investment services to various types of clients, including high-net-worth individuals, corporate executive groups, trusts, corporations, partnerships, retirement plans, tax exempt, and other legal entities. Although Pershale Financial provides investment services to the various types of clients mentioned, the services are conditioned upon meeting certain minimum criteria established by the firm for each of the investment programs it offers.

Pershale Financial generally requires a minimum account value of \$150,000 for managed supervisory accounts. Pershale Financial may waive the required minimum account values in special circumstances, and reserves the right to make exceptions to such minimum account values in its sole discretion.

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

### **A. Portfolio Manager Selection and Review**

Piershale Financial is the sole sponsor and sole portfolio manager for the Piershale Fee Offset Account.

### **B. Participation in Wrap Fee Programs**

Other than offering its Piershale Fee Offset Account, Piershale Financial does not participate in wrap fee programs.

### **C. Piershale Financial Acts as Both a Wrap Fee Sponsor and Portfolio Manager**

The Piershale Fee Offset Account is a proprietary product offered exclusively through Piershale Financial. Other than offering its Piershale Fee Offset Account, Piershale Financial does not participate in wrap fee programs.

#### **C.1. Piershale Fee Offset Account**

Piershale Financial's discretionary asset management services are predicated on the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. Piershale Financial will analyze each client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance, and related financial circumstances. Piershale Financial's objective is to review the client's tax, financial, and estate planning objectives and goals in connection with the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances and make appropriate recommendations and implementation decisions. Piershale Financial may engage third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, Piershale Financial may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

On a quarterly basis, Piershale Financial, in connection with a third-party service provider, will provide clients with reports regarding the performance of their portfolios. In addition, Piershale Financial will monitor those portfolios and make additional recommendations and implementation decisions from time to time to rebalance and/or reallocate each client's investments in accordance with such client's investment policy statement, as applicable.

Piershale Financial's engagement with the client will include, as appropriate, the following:

- Providing assistance in reviewing the client's current investment portfolio against the client's personal and financial circumstances as disclosed to Piershale Financial in response to a questionnaire and/or in discussions with the client and reviewed in meetings with Piershale Financial.

- Analyzing the client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending individual equity and fixed income securities, mutual funds, and exchange-traded funds.
- Reporting to the client on a quarterly basis—or at some other interval agreed upon with the client—information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).
- Proposing changes in the client's investment policy statement and/or investment portfolio in consideration of changes in the client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the client's investments, and/or the performance of any fund retained by the client.

#### **C.1.a. Investment Restrictions and Changes in Clients' Financial Circumstances**

In addition to providing Piershale Financial with information regarding their personal financial circumstances, investment objectives, and tolerance for risk, clients are required to provide Piershale Financial with any reasonable investment restrictions that should be imposed on the management of their portfolios and to promptly notify Piershale Financial of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals, and tolerance for risk. On a quarterly basis, Piershale Financial's reports to clients will remind them of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of their accounts. Piershale Financial will also contact clients at least annually to determine whether there have been any changes in their personal financial circumstances, investment objectives, and tolerance for risk.

#### **C.2. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

#### **C.3. Management of the Piershale Fee Offset Account**

The Piershale Fee Offset Account is the only asset management program offered by Piershale Financial.

#### **C.4. Performance-Based Fees and Side-by-Side Management**

Piershale Financial does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in the clients' best interests.

### **C.5. Methods of Analysis, Investment Strategies, and Risk of Loss**

Piershale Financial's methods of analysis may include fundamental and technical analysis, quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. Piershale Financial may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **C.5.a. Mutual Funds, Exchange-Traded Funds, Independent Investment Managers and Pooled Investment Vehicles, Individual Equity and Fixed Income Securities**

Piershale Financial may recommend (i) separate account managers to manage client assets; (ii) no-load and load-waived mutual funds and individual securities (including fixed income instruments and equities); and (iii) pooled investment vehicles. Such management styles may include, among others, large-, mid-, and small-cap value, growth, and core; international and emerging markets; and alternative investments. Piershale Financial may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Piershale Financial will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds, individual securities (including fixed income securities), managers, and pooled investment vehicles is set forth below.

Piershale Financial has formed relationships with third-party vendors that provide a technological platform for separate account management; prepare performance reports; perform due diligence monitoring of mutual funds, managers, and pooled investment vehicles; and perform billing and certain other administrative tasks. Piershale Financial may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, managers, and pooled investment vehicles to clients as appropriate under the circumstances.

Piershale Financial reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include:

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor, or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager, a mutual fund or manager's consistency of investment style, and employee turnover and efficiency and

capacity. Piershale Financial will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Piershale Financial on a quarterly basis or such other interval as mutually agreed upon by the client and Piershale Financial. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Piershale Financial (both of which are negative factors in implementing an asset allocation structure). Based on its review, Piershale Financial will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

Piershale Financial may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (for example, for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the mutual funds or managers utilized. Piershale Financial will endeavor to obtain equal treatment for its clients with mutual funds or managers, but cannot assure equal treatment.

Piershale Financial will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest. Similarly, clients qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

## **C.6. Investment Strategy, Method of Analysis, and Material Risks**

Piershale Financial utilizes a long-term investment strategy for clients through its recommendation of a diversified portfolio of mutual funds, exchange-traded funds, and in certain instances individual equity securities (including fixed income securities). Although equity securities carry risk as described in Item C.7 below, Piershale Financial tries to mitigate such risk through recommending to clients diversified portfolios of securities.

### **C.6.a. Leverage**

Although Piershale Financial, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers, and in

very limited circumstances Piershale Financial, will utilize leverage. In this regard please review the following:

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts have a minimum equity requirement when clients utilize leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to satisfy a margin deposit or withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

#### **C.6.b. Short-Term Trading**

Although Piershale Financial, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

#### **C.6.c. Short Selling**

Piershale Financial generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales are the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the borrowed security.

#### **C.6.d. Option Strategies**

Depending on the client's needs and risk tolerance, Piershale Financial may utilize various option strategies as further defined below.

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Piershale Financial as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

#### ***C.6.d.1. Covered Call Writing***

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client's portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### ***C.6.d.2. Long Call Option Purchases***

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### ***C.6.d.3. Long Put Option Purchases***

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### ***C.6.d.4. Option Spreading***

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling

the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; clients may contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

#### ***C.6.d.5. Short Call Option Strategy***

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

#### ***C.6.d.6. Short Put Option Strategy***

Short put option strategy is highly speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

#### ***C.6.d.7. Equity Collar***

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified “cap rate.” A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified “floor rate.” A collar involving stock is called an “equity collar.” In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.



**C.6.d.8. Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

**C.7. Concentration Risk**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

**C.8. Material Risks of Investment Instruments**

Piershale Financial typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Private placements
- Option contracts on securities
- Pooled investment vehicles
- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations

**C.8.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create

shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **C.8.b. Warrants and Rights**

Piershale Financial may invest in warrants and rights. Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **C.8.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **C.8.d. Exchange-Traded Funds ("ETFs")**

Piershale Financial may invest in ETFs (which may, in turn, invest in equities, bonds and other financial vehicles). ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **C.8.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **C.8.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **C.8.g. U.S. Government Securities**

Piershale Financial may invest in U.S. government securities. U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **C.8.h. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not

traded on a secondary market, such as a stock exchange, and are thus illiquid and cannot be readily converted to cash.

#### **C.8.i. Option Contracts on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period, and interest rates.

#### **C.8.j. Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth, and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, Piershale Financial will be unable to monitor or verify the accuracy of such performance information.

#### **C.8.k. Structured Products**

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates, or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit, and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such,

structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high-investment-grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

#### **C.8.l. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **C.8.m. Corporate Debt Obligations**

Piershale Financial may invest in corporate debt obligations. Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, Piershale Financial may invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **C.8.n. Mortgage-Backed Securities**

Piershale Financial may invest in mortgage-backed securities, including pass-through securities and collateralized obligations. Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by

governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Piershale Financial may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

#### **C.8.o. Collateralized Obligations**

Piershale Financial may invest in collateralized mortgage obligations ("CMOs") that are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Piershale Financial may also invest in collateralized debt obligations ("CDOs"), which include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income

securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

### **C.9. Proxy Voting**

Piershale Financial does not take discretion with respect to voting proxies on behalf of its clients. Piershale Financial will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election, or similar actions solicited by or with respect to issuers of securities beneficially held as part of Piershale Financial supervised and/or managed assets. In no event will Piershale Financial take discretion with respect to voting proxies on behalf of its clients.

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

Piershale Financial is the sole portfolio manager in the Piershale Fee Offset Account and does not share any personal information it collects from its clients other than as required by law or regulatory mandate. Piershale Financial collects the following information in order to formulate its investment recommendations to clients:

- Income
- Employment and residential information
- Social security number
- Cash balance
- Security balances
- Transaction detail history
- Investment objectives, goals and risk tolerance

The following are the major factors Piershale Financial considers when recommending and implementing investment recommendations:

- Sources of wealth and/or deposits
- Risk assessment
- Investment time horizon
- Income and liquidity needs
- Asset allocation
- Restrictions on management of accounts

Sources of information used to develop investment recommendations may include, but are not limited to, the following:

- Client questionnaire(s) and interview(s)
- Review of client's current portfolio
- Analysis of historical risk/return characteristics of various asset classes
- Analysis of the long-term outlook for global financial markets
- Analysis of the long-term global economic and political environments



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

Pershale Financial encourages communication with its clients and does not limit or condition the amount of time clients can spend with Pershale Financial advisory professionals.

## Item 9: Additional Information

### A. Disciplinary and Other Financial Activities and Affiliations

#### A.1. Disciplinary

There are no current or pending disclosure items to report on behalf of Piershale Financial advisors.

##### A.1.a. Criminal or Civil Actions

There is nothing to report for this item.

##### A.1.b. Administrative Enforcement Proceedings

There is nothing to report for this item.

##### A.1.c. Self-Regulatory Organization Enforcement Proceedings

There is nothing to report for this item.

#### A.2. Other Financial Activities and Affiliations

##### A.2.a. Broker-Dealer or Representative Registration

Officers and employees of Piershale Financial are associated persons of Triad Advisors, Inc. ("Triad"), a FINRA and SEC-registered broker-dealer and member of SIPC. Triad is a financial services company engaged in the sale of investment products.

##### A.2.b. Futures or Commodity Registration

Neither Piershale Financial nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading advisor and do not have an application to register pending.

##### A.2.c. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

Neither Piershale Financial nor its affiliates are registered broker-dealers and do not have an application to register pending. However, certain officers and employees of Piershale Financial are associated persons of Triad Advisors, Inc. ("Triad"), a FINRA and SEC-registered broker-dealer and member of SIPC. As a result, such professionals, in their capacity as registered representatives of Triad, are subject to the oversight of Triad and FINRA. As such, clients of Piershale Financial should understand that their personal and account information is available to FINRA and Triad personnel in the fulfillment of their oversight obligations and duties.

Piershale Financial advisory clients are not compelled to effect securities transactions through Triad. Piershale Financial professionals who effect transactions for advisory clients will not receive transaction or commission compensation from either Triad or any other executing

broker. Piershale Financial may be deemed to have a conflict of interest in that effecting transactions through Triad will benefit Piershale Financial by providing leverage to potentially negotiate a better fee structure from Triad.

Triad may provide brokerage services to one or more of the third-party advisors to whom investment advisor representatives of Piershale Financial, in their capacity as Piershale Financial investment advisor representatives, refer potential clients. Triad may receive brokerage fees for transactions completed on behalf of customers. As a result, a conflict of interest may be deemed to exist in that client transactions executed through Triad may benefit Piershale Financial by providing leverage for Piershale Financial to negotiate a more favorable economic arrangement or to procure additional services with or through Triad.

Certain managers, members, and registered employees of Piershale Financial are agents for certain insurance carriers. With respect to the provision of financial planning services, Piershale Financial professionals may recommend insurance products offered by such carriers for whom they function as agents and receive a commission for doing so. Please be advised there is a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Also be advised that Piershale Financial professionals strive to put their clients' interests first and foremost. Other than for insurance products that require a securities license, such as variable insurance products, clients may utilize any insurance carrier or insurance agency they desire. For products requiring a securities and insurance license, clients may be limited to those insurance carriers that have a selling agreement with Piershale Financial's professionals' employing broker-dealer.

## **B. Code of Ethics, Brokerage Trading Practices, Account Reviews, and Financial and Related Matters**

### **B.1. Code of Ethics Description**

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 will send clients a copy of its Code of Ethics upon written request.

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.

**B.1.a. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

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.

**B.1.b. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Piershale Financial, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients.

**B.1.c. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Piershale Financial, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Piershale Financial 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 Piershale Financial to place the clients' interests above those of Piershale Financial and its employees.

**B.2. Factors Used to Select Broker-Dealers for Client Transactions**

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.

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

In other instances, 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. engage a broker-dealer or custodian. In addition, and with the written agreement of Piershale Financial, clients may engage a broker-dealer or custodian of their own choice. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities; as a result, there may be disparities with respect to the cost of services and/or the transaction prices

for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians that the clients choose.

#### **B.2.a. 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.

#### **B.2.b. Other Products and Services**

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.

#### **B.2.c. 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.

### **B.3. Aggregating Securities Transactions for Client Accounts**

#### **B.3.a. Best Execution**

Piershale Financial, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold and the price of such securities to effect such transactions. Piershale Financial effects securities transactions through the clients' custodian.

#### **B.3.b. Directed Brokerage**

##### ***B.3.b.1. Piershale Financial Recommendations***

In most instances, Piershale Financial currently requires Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

##### ***B.3.b.2. Client-Directed Brokerage***

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 effected 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.

#### **B.3.c. Security Allocation**

Since Piershale Financial may be managing accounts with similar investment objectives, Piershale Financial may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Piershale Financial in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Piershale Financial's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Piershale Financial will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Piershale Financial's advice to certain clients and entities and the action of Piershale Financial for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objectives, guidelines, and circumstances. Thus, any action of Piershale Financial with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of the firm to or on behalf of other clients.

#### **B.3.d. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Piershale Financial believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.3.e. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs, and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Piershale Financial acts in accordance with its duty to seek best price and execution and will not continue any arrangements if it determines that such arrangements are no longer in the best interests of its clients.

#### **B.3.f. Soft Dollar Arrangements**

Piershale Financial does not utilize soft dollar arrangements. Piershale Financial does not direct brokerage transactions to executing brokers for research and brokerage services.

**B.3.g. Brokerage for Client Referrals**

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

**B.4. Review of Accounts****B.4.a. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Piershale Financial, at its discretion, may prepare a customized written investment policy statement ("IPS") for a client. Each client account is reviewed periodically or as specified in the client's IPS. Reviews include an inspection of portfolio holdings, change in account values, and actual allocation of the account as compared to the recommended allocation. Reviews may be conducted by any of Piershale Financial's financial advisors.

**B.4.b. Review of Client Accounts on Non-Periodic Basis**

Piershale Financial may perform *ad hoc* reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Piershale Financial formulates investment advice.

**B.4.c. Content of Client-Provided Reports and Frequency**

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, and comparison to an appropriate benchmark index.

Piershale Financial will provide reports showing the investment performance of a client's account and a comparison of such account performance against relevant benchmarks. 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.

**B.5. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

In the context of its Piershale Fee Offset Account, Piershale Financial does not receive economic benefits from third parties other than as described in this Item 9 of the Wrap Fee Brochure. When Piershale Financial acts in the capacity of a solicitor for non-Piershale Financial advisory relationships, it does receive economic benefits as further described below.

**B.5.a. Advisory Firm Payments for Client Referrals**

Piershale Financial does not enter into agreements with solicitors who will refer prospective advisory clients to investment advisors in return for a portion of the ongoing investment advisory fee.



## **B.6. Financial Information**

### **B.6.a. Balance Sheet**

Piershale Financial does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B.6.b. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Piershale Financial does not have any financial issues that would impair its ability to provide services to clients.

### **B.6.c. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report for this item.