

**Item 1: Cover Page**

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

March 19, 2013

**Piershale Financial Group, Inc.**

SEC File No. 801-70229

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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 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 2012. 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.

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## Item 4: Advisory Business

### A. Description of Your Advisory Firm

Piershale Financial Group, Inc. ("Piershale Financial" or the "firm") is an Illinois corporation wholly owned by the Michael D. Piershale Living Trust. Piershale Financial was formed April 2011 and offers investment supervisory, asset management, and financial planning services.

### B. Description of Advisory Services Offered

Piershale Financial is an independent investment advisory and financial planning firm offering a variety of financial services to individuals, trusts, corporations, partnerships, retirement plans, tax exempt, and other legal entities. Advisory services may include financial planning, investment strategy, portfolio management, and tax and estate planning.

#### B.1. Discretionary Asset 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.

For its discretionary asset management services, Piershale Financial receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies as described in Item 8 of this Brochure. In addition, pursuant to the terms of its investment advisory agreement with clients, Piershale Financial will remind clients of their obligation to inform the firm of any changes to their personal financial circumstances, investment objectives or risk tolerance, and modifications or 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 a client's personal financial circumstances, investment objectives, and tolerance for risk.

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. 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 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.

#### **B.1.a. The Piershale Advance and Protect Strategy**

- The Piershale Advance and Protect Strategy is a capital preservation strategy with a tactical component that allows us the potential to capitalize on favorable price movements in rising markets. The model utilizes both quantitative and qualitative analysis with a strict buy/sell discipline. The goal is to be heavily weighted in cash during downward markets. We view cash as a position and manage the portfolio accordingly.

### **B.2. Financial Planning Services**

Clients will receive a written or oral report (based on their preference) providing them with a detailed financial plan designed to help achieve their stated financial goals and objectives. Generally, any of the categories below require a minimum of five hours to compile the necessary data to formulate recommendations. Based on the client's needs, financial planning services may include (but are not limited to) the following:

- Preparation of a recommended asset allocation that serves to diversify the client's portfolio among different categories of investments, such as small, medium, and large capitalization securities; corporate and government fixed income (short, intermediate, and long-term maturities); emerging market securities (i.e., foreign issuers); and such other asset categories that are suitable in light of the client's investment goals, objectives, and risk tolerance.
- Preparation of customized tax solutions as part of a comprehensive review of the client's tax return. In certain instances this will include a consultation with the client's tax preparer.

- Preparation of a retirement plan that serves to identify whether the client is saving enough and investing in a way that meets retirement objectives in light of the client's financial circumstances and risk tolerance.
- Preparation of cash flow projections to ensure that the client is able to meet daily living expenses and obligations.
- Implementation of an insurance plan to meet the needs of the client, taking into account family, business, and other financial objectives of the client.
- Preparation of an estate plan to ensure that wealth transition, tax, and related issues are met in accordance with the client's wishes. In many instances, an outside attorney will need to be hired to handle specific legal issues that arise in the formation and implementation of an estate plan.

Piershale Financial will gather required information through in-depth personal interviews and questionnaires. Information gathered will include the client's current financial status, investment objectives, future goals, and attitudes towards risk. Related documents supplied by the client will then be carefully reviewed, and a report will be prepared covering one or more of the above-mentioned topics as directed by the client.

### **B.3. 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.

For information on this program, please refer to the Piershale Fee Offset Account for Ultra High Net Worth Clients Wrap Fee Program Brochure.

## **C. 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. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

## **D. Wrap Fee Programs**

Piershale Financial offers a wrap fee alternative for clients with initial portfolio assets of \$1,000,000 or more. For information on this program, including the program's fee arrangements and policies, please refer to the Piershale Fee Offset Account for Ultra High Net Worth Clients Wrap Fee Program Brochure.

## **E. Client Assets Under Management**

As of December 31, 2012, Piershale Financial has approximately \$131,344,189 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 \$46,074,027 of client assets held in Triad brokerage accounts and investment company accounts.



## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset-Based Fee Schedule

##### A.1.a. Investment Portfolios Generally

The advisor's fee for the services is an asset-based fee calculated as a percentage of the value of the managed assets, according to the following fee schedule, which represents the advisor's maximum fees for individual services. All fees are negotiable.

##### *Tiered Pricing Schedule*

<u>Assets Under Management</u>	<u>Fee Schedule</u>
First \$200,000	1.75%
\$200,000–\$500,000	1.50%
Over \$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 must authorize 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'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.

##### A.1.b. Advance and Protect Strategy

<u>Assets Under Management</u>	<u>Fee Schedule</u>
First \$500,000	2.25%
Over \$500,000	2.00%

Piershale Financial generally requires a minimum account value of \$200,000 for the Piershale Advance and Protect Strategy. 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 must authorize 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'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.

### **A.2. Additional Terms for All Piershale Financial Client Accounts**

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. A financial planning agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

### **A.3. Fixed-Fee Arrangements**

Piershale Financial offers fixed-fee arrangements to all financial planning clients. Generally, the more complex the financial planning engagement, the higher the likelihood that fixed fees will be negotiated, as it is difficult with respect to complex cases to discern the exact number of hours required to provide services. In such a case, a fixed fee would be negotiated and then re-evaluated at a later point to determine whether the fixed fee compensation requires adjustment. Fixed fees are computed based upon a good faith estimate of hours required to perform services. Fees generally range between \$1,500 and \$5,000 for written financial plans, so they may not always be appropriate for less complex situations, and an oral, less detailed plan may suffice.

For fixed-fee arrangements, Piershale Financial will provide the prospective client with an estimate of the fixed charges prior to finalizing the financial planning agreement. Estimates will be based upon a good faith estimate of the number of hours to complete the assignment

multiplied by an hourly rate of \$250 per hour, and re-evaluated at a later point as discussed above. The client will be billed directly for such services. Invoices will be mailed out on a periodic basis reflecting completed work performed. Clients seeking to terminate this service must do so in writing.

Piershale Financial does reserve the right to waive the financial planning fees for assets above a certain dollar amount—generally \$5 million or more, although in certain special circumstances this number could be lowered.

Generally, any of the categories below require a minimum of five (5) hours to compile the necessary data to formulate recommendations.

- Preparation of a recommended asset allocation that serves to diversify the client's portfolio among different categories of investments, such as small, medium, and large capitalization securities; corporate and government fixed income (short, intermediate, and long-term maturities); emerging market securities (i.e., foreign issuers); and such other asset categories that are suitable in light of the client's investment goals, objectives, and risk tolerance.
- Preparation of customized tax solutions as part of a comprehensive review of the client's tax return. In certain instances this will include a consultation with the client's tax preparer.
- Preparation of a retirement plan that serves to identify whether the client is saving enough and investing in a way that meets retirement objectives in light of the client's financial circumstances and risk tolerance.
- Preparation of cash flow projections to ensure that the client is able to meet daily living expenses and obligations.
- Implementation of an insurance plan to meet the needs of the client, taking into account family, business, and other financial objectives of the client.
- Preparation of an estate plan to ensure that wealth transition, tax, and related issues are met in accordance with the client's wishes. In many instances, an outside attorney will need to be hired to handle specific legal issues that arise in the formation and implementation of an estate plan.

Piershale Financial will gather required information through in-depth personal interviews and questionnaires. Information gathered will include the client's current financial status, investment objectives, future goals, and attitudes towards risk. Related documents supplied by the client will then be carefully reviewed, and a report will be prepared covering one or more of the above-mentioned topics as directed by the client.

## **B. Client Payment of Fees**

### **B.1. Asset-Based 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.

### **B.2. Piershale Fee Offset Account for Ultra High Net Worth Clients**

For information on this program, please refer to the Piershale Fee Offset Account for Ultra High Net Worth Clients Wrap Fee Program Brochure.

### **B.3. Financial Planning Fees**

In the event of financial planning fees, Piershale Financial will invoice the client as work is performed.

## **C. Additional Client Fees Charged**

### **C.1. Piershale Financial Non-Wrap Program Additional Fees**

The fees charged by Piershale Financial do not include fees charged by any exchange-traded fund, mutual fund, pooled investment vehicle, or any broker-dealer or custodian selected by the client. The management fees for pooled investment vehicles are disclosed in their confidential offering memoranda and applicable subscription documents or, in the case of an exchange-traded fund or mutual fund, in the respective fund's prospectus. Clients are advised to read these materials carefully before investing. 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 or separate account managers because they may not be offered by the client's custodian.

Fees are charged in advance. Clients 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.

Fees charged by mutual funds, exchange-traded funds, separate account managers, and privately pooled investment vehicles are separate and apart from the advisory fees charged by Piershale Financial. Similarly, the fees charged by the firm do not include any fees charged by a broker-dealer or custodian retained by a client to implement Piershale Financial's advice or to otherwise hold the client's portfolio securities.

## **D. Prepayment of Client Fees**

### **D.1. Asset-Based Fees**

Piershale Financial's fees will either be paid directly by the client or disbursed to Piershale Financial 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 quarterly, 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. Upon termination of any account, any prepaid, unearned fees will be promptly. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

#### **D.2. Financial Planning Fees**

A financial planning agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

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

#### **E.1. External Compensation**

Piershale Financial's 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.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

### **A. 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 their best interests.

## Item 7: Types of Clients

### A. Types of Clients

Piershale Financial offers its investment services to various types of individual clients including high-net-worth individuals, but may also provide advice to trusts, partnerships, and other legal entities owned by such individuals. Although Piershale 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.

Piershale Financial generally requires a minimum account fee of \$2,625 for accounts it manages on a discretionary basis. As such, Piershale Financial's services are designed for the investor with a minimum of \$150,000 of liquid assets. Clients with less than \$150,000 in liquid assets may be able to find similar services at prices more favorable than those charged by the firm. Piershale Financial, in its sole discretion, may waive the required minimum fee.

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

### **A. Methods of Analysis and Investment Strategies**

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.

#### **A.1. Mutual Funds, Exchange-Traded Funds, Independent Investment Managers and Pooled Investment Vehicles, Individual Equity and Fixed Income Securities**

Piershale Financial may recommend (i) no-load and load-waived mutual funds and individual securities (including fixed income instruments and equities); and (ii) 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. Piershale Financial will be responsible for managing all or a portion of the client's investable assets held in our accounts. In these cases, we will be responsible for investment decisions and when formulating investment recommendations we may consult with independent managers that serve in a sub-advisor capacity to provide investment recommendations and trade signals. Investment advice and trade signals provided by sub-advisers are **not** made in consideration or knowledge of individual clients' specific needs. Therefore, you will not enter into an agreement directly with a sub-adviser and the sub-adviser will not be provided access to your account(s) or confidential information. Piershale Financial is responsible for applying sub-adviser recommendations to each client's individual account(s). To do so, we are given discretionary authority to implement securities transactions in your account(s). Although sub-advisors do not have access to your accounts, when we utilize a sub-advisor to help manage your accounts, the decision to make changes in client accounts will typically be based on the advice provided by the selected sub-advisor(s). We are then responsible for accepting or rejecting any advice and recommendations provided by a sub-advisor to make corresponding changes in your account.

When we hire a sub-advisor, we rely on the sub-advisor for all or some of the following: development of model portfolios, expertise in certain strategies or disciplines, specific recommendations of securities, and general investment advice. In some situations, a sub-advisor may be used on a limited basis and in other situations a sub-advisor may perform more substantial services as well as tailor its advice to the needs and circumstances of specific circumstances and objectives. When Piershale Financial uses a sub-advisor to assist with the management of client accounts, we provide the client with a copy of the sub-advisor's Form ADV Part 2 Disclosure Brochure.



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), sub-advisors, 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, 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, and pooled investment vehicles to clients as appropriate under the circumstances.

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

- the performance history of a mutual fund or sub-advisor 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 or sub-advisor fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or sub-advisors include the investment objectives and/or management style and philosophy of a mutual fund or sub-advisor, a mutual fund or sub-advisor'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 sub-advisor.

Quantitative and qualitative criteria related to mutual funds and sub-advisors 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 sub-advisors 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 sub-advisor 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 sub-advisor.

Piershale Financial may negotiate reduced account minimum balances and reduced fees with sub-advisors under various circumstances (for example, for clients with minimum level of assets committed to the sub-advisor 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 sub-advisors utilized. Piershale Financial will endeavor to obtain equal treatment for its clients with mutual funds or sub-advisors, but cannot assure equal treatment.

Piershale Financial will regularly review the activities of mutual funds and sub-advisors selected by the client. Clients that invest in mutual funds should first review and understand the disclosure documents of those 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.

## **A.2. 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

### **A.2.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.

### **A.2.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.

### **A.2.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.

### **A.2.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.

#### **A.2.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.

#### **A.2.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.

#### **A.2.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.

#### **A.2.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.

#### **A.2.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.

#### **A.2.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.

#### **A.2.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.

#### **A.2.I. 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 FHMLC 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.

#### **A.2.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).

#### **A.2.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.

#### **A.2.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.



## **B. Investment Strategy and Method of Analysis Material Risks**

### **B.1. Piershale Advance and Protect Strategy**

The Piershale Advance and Protect Strategy is a capital preservation strategy with a tactical component that allows us the potential to capitalize on price movements in rising markets. The model utilizes both quantitative and qualitative analysis with a strict buy/sell discipline. The goal is to be heavily weighted in cash during downward markets. We view cash as a position and manage the portfolio accordingly.

### **B.2. 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 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.

### **B.3. 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.



#### **B.4. Short Selling**

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 is 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 security.

#### **B.5. Option Strategies**

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

##### **B.5.a. 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 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.

##### **B.5.b. 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.

##### **B.5.c. 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.

#### **B.5.d. 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; please contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

#### **B.5.e. 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.

#### **B.5.f. 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.

#### **B.5.g. 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.

#### **B.5.h. 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. 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.

Although Piershale Financial employs a broad diversification strategy, there may be times when one industry, sector, or company is more heavily weighted than others. In such an instance there is the possibility that negative performance of the heavily weighted security will have a greater impact of the overall performance of the portfolio. 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.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

Piershale Financial has nothing to disclose for this Item.

### **B. Administrative Enforcement Proceedings**

Piershale Financial has nothing to disclose for this Item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

Piershale Financial has nothing to disclose for this Item.

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

### **A. Broker-Dealer or Representative Registration**

Neither Piershale Financial nor its affiliates are registered broker-dealers and do not have an application to register pending.

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

### **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.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

Managers, members, and registered personnel 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 required 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.

#### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Piershale Financial does not recommend separate account managers or other securities investment products in which it receives any form of compensation from the separate account manager or investment product sponsor. Piershale Financial does recommend insurance products that may include variable annuity products. Piershale Financial's professionals, who maintain both a securities broker-dealer and insurance license, do receive commission payments for the sale of such insurance. However, such variable annuity products are not included as part of the investment advisory relationship between the client and Piershale Financial.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

### **A. 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 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.

### **B. Material Financial Interests**

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.

### **C. Proprietary Investing**

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. They also may affect securities transactions for their own accounts which differ from those recommended or effected for other Piershale Financial clients. Piershale Financial will make a reasonable attempt to trade securities in client accounts prior to trading the securities in its affiliate, corporate, employee, or employee-related accounts. It is the policy of the firm to place the clients' interests above those of Piershale Financial and its employees.

### **D. 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 affect securities transactions for their own accounts that differ from those recommended or effected 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.



## Item 12: Brokerage Practices

### A. 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 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. 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.

#### A.1. 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.

#### A.2. 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.

### **A.3. 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.

### **A.4. Directed Brokerage**

#### **A.4.a. Piershale Financial Recommendations**

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,

#### **A.4.b. 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.

#### **A.4. 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. Aggregating Securities Transactions for Client Accounts**

#### **B.1. 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 Piershale Financial to or on behalf of other clients.

#### **B.2. 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. 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 interest of its clients.

## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

#### **A.1. Periodic Review of Accounts**

Managed accounts are reviewed at least quarterly. 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 financial advisors in accordance with your investment goals and objectives.

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

#### **B.1. Non-Periodic Review of Accounts**

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.

### **C. Content of Client-Provided Reports and Frequency**

#### **C.1. Client-Provided 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, 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.

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

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

#### **A.1. Economic Benefits from External Sources and Conflicts of Interest**

Other than as described in Items 10 and 12 of this Brochure, Piershale Financial does not receive economic benefits from external sources.

### **B. Advisory Firm Payments for Client Referrals**

Piershale Financial does not pay for client referrals and does not receive any compensation other than advisory fees charged to its clients.

## Item 15: Custody

### A. Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Piershale Financial is deemed to have custody of client funds and securities whenever Piershale Financial is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Piershale Financial will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Piershale Financial is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian (i.e. Charles Schwab) in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Piershale Financial. When clients have questions about their account statements, they should contact Piershale Financial or the qualified custodian preparing the statement.

## Item 16: Investment Discretion

### A. Investment Discretion

Through its asset management services and upon receiving written authorization from a client in our standard client agreement, Piershale Financial Services will maintain trading authorization over client accounts. Upon receiving written authorization from the client, Piershale Financial Services will implement trades on a **discretionary** basis. By granting discretionary authority, Piershale Financial Services will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client's portfolio without obtaining the client's consent for each transaction.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.



## **Item 17: 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 your 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 18: Financial Information**

### **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. 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.

### **C. Bankruptcy Petitions During the Past Ten Years**

There are no bankruptcy petitions to report.

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