



**PRIVATE  
CLIENT  
SERVICES™**

MEMBER FINRA, SIPC  
A Registered Investment Advisor

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

**PCS ASSET ALLOCATION ACCOUNTS (AAA),  
PCS PLUS PORTFOLIOS  
And  
THIRD PARTY ASSET MANAGER ACCOUNTS (TPAM)**

**Private Client Services**

2225 Lexington Rd  
Louisville, Kentucky 40206

Telephone: 502-451-0600  
Email: [esampson@pcsb.net](mailto:esampson@pcsb.net)  
Web Address: [www.pcsbd.net](http://www.pcsbd.net)

March 31, 2020

This brochure provides information about the qualifications and business practices of Private Client Services (PCS). If you have any questions about the contents of this brochure, please contact us at 502-451-0600 or [esampson@pcsb.net](mailto:esampson@pcsb.net).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

While Private Client Services is registered with the SEC as a Registered Investment Advisor (RIA), the registration alone does not imply any specific level of skill or training.

Additional information about Private Client Services also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). You can search this site by a unique identifying number, known as an SEC file number. The SEC file number for Private Client Services is 801-71475.

## **Item 2**   **Material Changes**

The SEC requires that an annual update of Form ADV Part 2A identify and discuss material changes that have occurred since the last annual update of this form, which was dated March 31, 2019.

The standard of materiality under the Advisors Act is whether there is a substantial likelihood that a reasonable investor or client would have considered such material changes to be important.

Private Client Services has made two changes since the last update:

1. Private Client Services (PCS) has added custodian services through Charles Schwab to the AAA and Plus Portfolios program. PCS will now have custody of these assets according to SEC Rule 206(4)-2 through Charles Schwab, TD Ameritrade and Pershing Advisory Solutions. PCS will provide guidance to all custodians related to account fee billing for the Plus Portfolios program, which creates a custody relationship between PCS and the custodians.
2. Private Client Services has changed the timing for calculating and billing advisory fees for accounts custodied on the Charles Schwab, TD Ameritrade, and Pershing Advisory Solutions platforms to Monthly, in arrears, based on the average daily value of the account in a given month.

### **Item 3**    **Table of Contents**

| <b>Item</b> | <b>Topic</b>                                      | <b>Page</b> |
|-------------|---|-------------|
| Item 1      | Cover Page  | 1           |
| Item 2      | Material Changes                                  | 2           |
| Item 3      | Table of Contents                                 | 3           |
| Item 4      | Services, Fees and Compensation                   | 4           |
| Item 5      | Account Requirements and Types of Clients         | 14          |
| Item 6      | Portfolio Manager Selection and Evaluation        | 15          |
| Item 7      | Client Information Provided to Portfolio Managers | 19          |
| Item 8      | Client Contact with Portfolio Managers            | 20          |
| Item 9      | Additional Information                            | 20          |

## **ITEM 4 SERVICES, FEES AND COMPENSATION**

Private Client Services (PCS) is an SEC-registered investment adviser with its principal place of business located in Louisville, Kentucky. PCS began conducting business in 2001. On December 31, 2019, total assets under management in wrap programs was \$313,808,053.50 million.

PCS utilizes four distinct and separate program platforms for its fee-based asset allocation accounts. The first is its proprietary Asset Allocation Account (AAA) Program. The second is the use of PCS proprietary Plus Portfolios. The third is the use of directly held American Funds F2 Share mutual funds, and the fourth is a Third Party Asset Manager (TPAM) Program, which currently provides client access to eight different asset managers with a broad array of asset allocation based models.

The AAA Wrap Program has been in existence since 2010. On December 31, 2019, assets under management in the AAA Program were \$152,332,731.50 million.

The Plus portfolios are new to investors as of 4/1/2018 and have no assets under management as of December 31, 2019.

PCS has offered access to TPAM since 2005. On December 31, 2019, assets under management in the TPAM Program were \$160,925,441.84 million. There were eight different TPAMs in the program at the end of 2019.

PCS has introduced the availability of directly held American Funds F2 share Mutual Funds effective March 2019. On December 31, 2019 assets under management were \$549,880.16.

### **Services – Client Financial Discovery and Risk Profiling**

Based on the needs of the individual client, PCS Investment Advisor Representatives (“IARs”) may provide ongoing advice regarding the investment of client assets. Through a process of discussion and discovery, PCS IARs evaluate and analyze a given client’s particular financial goals, resources and constraints. Key determinants include the client’s investment objectives, their investment and income time horizons, their risk tolerance, and their anticipated liquidity needs. Our IARs then develop and recommend one or more suitable personal investment strategies to create and manage an investment portfolio that will enable the client to reach their financial goals. As appropriate, we also discuss and consider a client’s prior investment history and experience with various investable asset classes, as well as family composition and background.

Upon completion of the discovery and risk profiling process, the IAR will make a recommendation to manage the client portfolio on one of four different investment platforms that PCS offers to our clients. PCS offers a proprietary PCS Asset Allocation Account (AAA) wrap fee platform, propriety PCS Plus Portfolio allocation Account wrap fee platform, Directly held American Funds F2 share portfolios, or an outsourced Third Party Asset Manager (TPAM) platform. Descriptions of all three options are detailed below. Given an individual client’s circumstances, there may be instances where a combination of platforms might be utilized.

The IAR will also present an appropriate benchmark, either a widely recognized market index or blend of market indices that is representative of the asset classes to be used in the construction of the client portfolio.

PCS IARs may manage accounts on either a discretionary and non-discretionary basis. Client consent for any and all trade recommendations or changes in asset allocation must be obtained prior to the execution of such trades or allocation changes within all non-discretionary accounts. Clients who elect to assign discretionary authority to their IAR are not required to approve individual transactional activity. Discretionary authority will be limited to portfolio management activities and do not include any authority related to

disbursement of funds from a client account without express instruction from the client for each money movement (Systematic disbursement with approved request excluded).

PCS Plus Portfolios are managed on a discretionary basis and investment decisions related to portfolio holdings, timing of changes to a portfolio makeup, and/or changes to portfolio objectives are made by the PCS Investment Committee.

Clients may impose reasonable restrictions on investing in certain asset classes, certain types of securities, specific industries or economic sectors, or securities issued by specific companies or entities.

Upon client request only, PCS assists in the development and utilization of a formalized Investment Policy Statement (IPS), which summarizes the general investment goals and objectives of a client and describes the strategies that the Advisor should employ to meet these objectives. Specific information on matters such as asset allocation, risk tolerance, and liquidity requirements would also be included in an IPS.

The supervision, monitoring and review processes for client accounts are described below in Item 13.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented when a recommendation is consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### **PCS ASSET ALLOCATION ACCOUNT (AAA)**

The PCS AAA platform is a proprietary wrap fee program consisting of five different asset allocation models. The model allocations are strategic, providing five distinct portfolios with fixed target allocations that are optimized across the entire risk and return spectrum. The recommended asset allocation for each of the five models provides a fixed target from which portfolio drift and necessary rebalancing can be calculated.

Within the allocation to each asset class, PCS IARs will work with the client to make individual security,

mutual fund, exchange traded fund, or other investment vehicle recommendations to complete the construction of a given portfolio. For non-discretionary accounts, because client consent is necessary, the implementation of a given model's allocation and subsequent trading and rebalancing does not occur without client acknowledgment and acceptance of any recommendations. Clients are under no obligation to take action on any recommendations.

Because each PCS IAR operates independently, individual security selection recommendations will likely result in portfolios that have identical asset allocations, but different individual investments within each asset class. This may or may not result in different investment performance between accounts with similar asset allocations.

### **PCS AAA Model Allocations**

| <b>Model Name:</b>  | <b>Description</b>   | <b>Allocation</b>              |
|---|--|--------------------------------|
| <b>Conservative</b><br><i>Investment objective: Preservation</i>                        | For investors who are primarily interested in preserving their investment principal. Investors who choose this model seek low volatility and a low probability of capital loss.  | 30% Equity<br>70% Fixed Income |
| <b>Moderate-Conservative</b><br><i>Investment objective: Income and Moderate Growth</i> | For investors who seek moderate capital appreciation. Investors who choose this model are comfortable with only limited swings in the annual returns earned on their portfolios  | 50% Equity<br>50% Fixed Income |
| <b>Moderate</b><br><i>Investment objective: Balanced growth</i>                         | For investors who seek higher potential growth with relatively stable capital appreciation. Investors who choose this model feel that maximizing returns is equally important to minimizing risk.  | 60% Equity<br>40% Fixed Income |
| <b>Moderate-Aggressive</b><br><i>Investment objective: Capital growth</i>               | For investors who seek high potential growth. Investors who choose this model are willing to accept an above-average risk in exchange for greater potential gains.   | 80% Equity<br>20% Fixed Income |
| <b>Aggressive</b><br><i>Investment objective: Aggressive growth</i>                     | For investors who want to build significant wealth over time, and are willing to accept greater risk to do so. Investors who choose this model will tolerate large market fluctuations in value in exchange for potentially greater returns. | 100% Equity                    |

## **PCS PLUS PORTFOLIOS**

The PCS Plus Portfolio platform is a proprietary wrap fee program consisting of several different asset allocation portfolios provided by third-party investment managers. The portfolios are strategic, providing solutions across five distinct risk bands with fixed target allocations that are optimized across the entire risk and return spectrum. The asset allocation for each of the portfolios provides a fixed target from which portfolio drift and rebalancing is calculated.

Within each portfolio, the PCS Investment Committee will implement portfolio changes disseminated by the third-party investment managers to complete the construction and ongoing management of a given portfolio.

The PCS Investment Committee is made up of members representing Research, Marketing, Compliance, Operations, and Executive Management.

## **AMERICAN FUNDS DISTRIBUTORS, INC. F2 SHARE DIRECTLY HELD FUNDS**

Private Client Services has the ability to actively manage advisory accounts directly held through American Funds Distributors, Inc. (American Funds) in share classes that do not have an up-front or contingent deferred sales charge. Class F-2 shares are designed for investors who choose to compensate their financial professional based on the total assets in their portfolio, rather than commissions or sales charges. This arrangement is often called an “asset-based” or “Fee-based” program. Class F-2 shares do not carry a 12b-1 “trailing commission”. Fund expenses will vary with each investment selection depending on multiple factors as outlined in the fund prospectus. Please note that Class F-2 shares are not available for purchase in certain employer-sponsored retirement plans, unless they are part of a qualifying fee-based program.

American Funds F-2 funds are managed by advisors on either a discretionary or non-discretionary basis based on the agreement in place with the client, and according to the client’s individual needs, goals and objectives. The advisory fee charged for these accounts is 0.50% flat rate annually. These fees are calculated and debited by American Funds quarterly in arrears based on an average daily balance of the account(s). The fees for these accounts are non-negotiable. The accounts are subject to a \$10 setup fee and \$10 annual fee, but not subject to any additional trading related fees through the American Funds platform. The client must acknowledge and agree to allow American Funds to liquidate shares of the funds held in order to cover any applicable advisory or account service fees.

## **THIRD PARTY ASSET MANAGERS (TPAM)**

PCS has engaged in agreements with several unaffiliated asset managers, known as TPAMs (Third Party Asset Manager). TPAMs offer clients of PCS additional services, investment flexibility, and access to institutional and alternative asset managers. Such access has historically been available only to large institutions, high net worth individuals and accredited investors.

PCS has established a due diligence process to investigate various aspects of each TPAM, including evaluation and analysis of historical investment performance, portfolio manager biographies and backgrounds, trading and operations policies, compliance, code of ethics and overall business enterprise risk.



The client financial discovery and risk profiling process is similar to the process employed for PCS AAA clients, but customized by the TPAM to suit the array of available investment alternatives that a given TPAM may offer. Upon completion of the discovery and TPAM risk profiling processes, PCS IARs will make a recommendation to the client as to which TPAM offers a suitable platform and selection of potential portfolios to meet client objectives. Factors considered in making this determination include account size, risk tolerance, the investment philosophy of the selected TPAM, the suitability of the products offered by the TPAM, and the opinion of the client. Clients should refer to the selected TPAM's Firm Brochure or other disclosure documents for a full description of the services offered by each firm. We are available to meet with clients (if desired by the client) to review our relationship with any of the TPAMs.

PCS provides supervisory support and periodic compliance testing to ascertain that client accounts are in compliance with the TPAM asset allocation model that has been recommended. PCS also conducts annual account reviews designed to capture any changes in client circumstances and IAR's will then work with the client to adjust investment strategies as necessary to reflect identified changes.

*Monitoring of Investment Performance:*

We monitor client investments and the performance of their portfolios on a periodic basis, based on the procedures and timing intervals delineated in the supervisory procedures of Private Client Services. Investment performance is reported to the client at least quarterly, and a suitability review of investment objectives, risk tolerances and the selected benchmark occurs, (unless specifically denied by the client) at least once annually. IAR's may make recommended changes to a client's investment allocation/portfolio as changes in situation and/or client objective or risk tolerance are identified.

*Employee Communications:*

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

**PCS Asset Allocation Account (AAA) Fees:**

The annualized fee for PCS Asset Allocation Accounts (AAA) is charged as a percentage of assets under management, according to the following blended fee schedule:

| <u><i>Total Account Market Value</i></u> | <u><i>Maximum Annual Fee</i></u> |
|--|----------------------------------|
| \$50,000 - \$249,999                     | 2.00%                            |
| \$250,000 - \$499,999                    | 1.75%                            |
| \$500,000 - \$999,999                    | 1.50%                            |
| Over \$1,000,000                         | 1.25%                            |



Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the total market value of the client's account at the end of the previous quarter. Fees will be calculated by Pershing LLC and debited from the account in accordance with the client authorization in the Client Services Agreement. A minimum annual account charge of \$80 applies, regardless of account size, which may, in certain instances, result in the aggregate client fee exceeding 2%.

For discretionary accounts billed through Orion and held through Pershing LLC, Charles Schwab, TD Ameritrade, and Pershing Advisor Solutions, fees are billed quarterly, in advance, based upon the average daily balance of the prior quarter. Fees are debited from the account in accordance with the client authorization in the Client Services Agreement. A minimum annual fee of \$250.00 will apply to all discretionary accounts, which may, in certain instances, result in the aggregate client fee exceeding 2%.

Should the advisory agreement be terminated by either the client or by PCS, a pro rata fee is charged to the client based on the number of days left in the billing period.

A minimum of \$50,000 of assets under management is required for this service. This minimum account size may be negotiable under certain circumstances. Private Client Services may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. The firm reserves the right to waive the account minimum.

***Limited Negotiability of Advisory Fees:*** Although Private Client Services has established the aforementioned maximum fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reporting needs among other factors. The specific annual fee schedule is identified in the contract between the Advisor and each client.

Discounts may be offered to family members and friends of associated persons of our firm as stated in the contract between the advisor and each client.

#### **PCS Plus Portfolios Fees:**

The annualized fee for PCS Plus Portfolios is charged as a percentage of assets under management and is determined based on the internal costs of the holdings in the portfolios, administrative costs of the program, and an advisory fee:

- Internal costs of the portfolio holdings typically range between 0.12% and 0.20% but may vary depending on the internal costs of the assets held within the portfolio.
- The account fees, including administrative and advisor fees are set according to the agreement between the client and the advisor when the account is established and may vary up to the following maximums:

|                  |       |
|------------------|-------|
| Up to \$250,000  | 2.00% |
| Next \$250,000   | 1.75% |
| Next \$500,000   | 1.50% |
| Over \$1,000,000 | 1.25% |

Fees are billed monthly, in arrears, based on the average daily value of the account in a given month. Fees will be calculated by PCS and debited from the account in accordance with the client authorization in the Client Services Agreement. A minimum annual fee of \$250.00 will be charged, which in certain instances may result in the aggregate client fee exceeding 2%.

Should the advisory agreement be terminated by either the client or by PCS, a pro rata fee is charged to the client based on the number of days left in the billing period.

A minimum of \$50,000 of assets under management, invested in the Plus Portfolios is required for this service. This minimum account size may be negotiable under certain circumstances. Private Client Services may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. The firm reserves the right to waive the account minimum.

***Limited Negotiability of Advisory Fees:*** Although Private Client Services has established the aforementioned maximum fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, account composition, and reporting needs among other factors. The specific annual fee schedule is identified in the contract between the Advisor and each client.

#### **American Funds FS Shares Directly Held Program Fees:**

The advisory fee charged for the management of the American Funds F2 share directly held program is a flat 0.50% annual advisory fee.

#### **Third Party Asset Manager (TPAM) Fees**

Clients participating in TPAM managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

We do not enter into an advisory agreement with any client nor do we charge a fee to any client for referrals to third party asset manager. Our fees for such referrals are paid by the referred TPAM who shares with our firm a percentage of the fees received from the client. Client advisory fees are not increased in any way as a result of our referral of any clients to a TPAM. Clients should refer to the TPAM's disclosure document for information regarding its fees, billing practices, minimum required investments and termination of advisory agreements.

#### **FINANCIAL PLANNING FEES**

Private Client Services' Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into an engagement agreement with any client.

Our Financial Planning fees may be calculated and charged on an hourly basis, ranging from \$100 to \$500 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

Our Financial Planning fees may be calculated and charged on a fixed fee basis, typically ranging from \$250 to \$5000, depending on the specific arrangement reached with the client.

We may request a minimum retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$600 for work that will not be completed within six months. The balance is due upon completion and delivery of the plan or a client may be on a quarterly billed cycle.

The client may be billed quarterly in arrears based on actual hours accrued or as 1/4 of a yearly flat rate as per the engagement agreement.

PCS has a conflict of interest regarding financial planning and consulting services. Implementation of the recommendations made through financial planning or consulting services through PCS, acting either in its capacity as an RIA or Broker/Dealer, will result in additional costs to the client. Financial planning clients are under no obligation to utilize PCS to implement recommendations made during the financial planning process.

## **CONSULTING SERVICES FEES**

Private Client Services' Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Services fees may be calculated and charged on an hourly basis, ranging from \$100 to \$500 per hour. An estimate for the total hours is determined at the start of the advisory relationship.

Our Consulting Services may be calculated and charged on a fixed fee basis, typically ranging from \$250 to \$5000 subject to the specific arrangement reached with the client.

Some Consulting Services may be offered to clients on a subscription basis utilizing either an online or system based platform where the fee for service is collected on a recurring basis. The fees for these services will differ depending on the subscription selected by the client.

## **GENERAL INFORMATION**

### ***Termination of the Advisory Relationship:***

A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be refunded. Where accounts are billed in arrears, a pro rata charge will occur according to the number of days remaining in the billing period.

### ***Mutual Fund or ETF Fees:***

All fees paid to Private Client Services for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. Product provider fees and expenses are described in each fund's prospectus. These fees may include a management fee, fund administrative expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may

pay an initial sales charge.

There are generally various share classes of mutual funds available for purchase by a client. Each share class has varying fee schedules which may include either an up-front fee, contingent deferred sales charge (CDSC), and/or 12b-1 trail commission. PCS Advisors strive to recommend the lowest cost share class available when making recommendations for portfolio design. There may be situations where the lowest cost option is not available. PCS does not allow the purchase of a C-Share mutual fund inside an advisory account. C-Share funds have a contingent deferred sales charge as well as higher internal expenses than other share class funds. Additionally, any client account that is subject to a mutual fund that pays out a 12b-1 (Trail) fee will receive a return of the 12b-1 fee into the client account.

A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

In addition to the advisory fees paid to Private Client Services, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees for trades executed away from the custodian, fees charged by the Independent Managers (charged to all clients other than certain legacy clients whose agreements will reflect the inclusion of these fees), margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

***Disclosure of Conflict of Price Differential:***

PCS places customer accounts with several custodians, currently Pershing LLC, Pershing Advisor Solutions, Charles Schwab, and TD Ameritrade. Each custodian assesses different charges for its services; therefore, this presents a conflict of interest as PCS earns a different level of compensation at one custodian versus another based on various factors such as individual account size or overall firm assets under management.

Moreover, the Advisor receives access to software and related support as part of its relationship with each Custodian. The software and related systems support may benefit the Advisor, but not its Clients directly. In fulfilling its duties to its Clients, the Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits from a Custodian creates a potential conflict of interest since these benefits may influence the Advisor's recommendation of the Custodian over one that does not furnish similar software, systems support, or services.'

We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades in certain accounts held through Charles Schwab.

Clients may receive comparable services from other broker-dealers or investment advisers and pay fees that are higher or lower than those charged under the PCS wrap fee program. Fees may be more or less than

the client would have paid if the services (account management, custody and brokerage transactions) were purchased separately outside of the wrap program.

### ***Direct Fee Debit***

Clients generally provide Private Client Services and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Private Client Services. Alternatively, clients may elect to have Private Client Services send a separate invoice for direct payment.

### ***Commissions and Sales Charges for Recommendations of Securities***

Clients can engage certain persons associated with Private Client Services (PCS) (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with PCS.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of PCS, may provide securities brokerage services and implement securities transactions under a separate commission-based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to PCS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. PCS may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with PCS.

A conflict of interest exists to the extent that PCS recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made as part of an advisory agreement by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that PCS, in its sole discretion, deems appropriate, PCS may provide its investment advisory services on a fee-offset basis. In this scenario, PCS may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as Registered Representatives of PCS.

Schwab has eliminated commissions for online trades of equities, ETFs and options (subject to \$0.65 per contract fee). This means that, in most cases, when we buy and sell these types of securities, we will not have to pay any commissions to Schwab. We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. If you choose to enter into a wrap fee arrangement, your total cost to invest could exceed the cost of paying for brokerage and advisory services separately. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [schwab.com/aspricingguide](https://www.schwab.com/aspricingguide).

### ***Grandfathering of Minimum Account Requirements:***

Pre-existing advisory clients are subject to Private Client Services' minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.



### ***Limited Prepayment of Fees:***

Under no circumstances do we require or solicit payment of fees in excess of \$600 more than six months in advance of services rendered.

## **COMPENSATION**

We reserve the right to enter into marketing arrangements with independent investment adviser and/or broker-dealer firms pursuant to which representatives of their firms ("Solicitors") offer our services, including participation in this program, to the public. Through these arrangements, we pay a cash referral fee to the Solicitor and/or their firm based upon a percentage of our advisory fee. The payment of referrals fees will not increase the amount of the fees paid by program participants. However, clients should be aware that the receipt of this compensation may create an incentive for the individual to recommend participation in this program over others for which no such compensation may be received.

As required by applicable law, the details of the solicitation arrangement, including the compensation payable to the solicitor, will be described to the client in a separate document provided to the client at the time of the referral.

## **ITEM 5 ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **MINIMUM ACCOUNT REQUIREMENTS**

Participation in AAA, Plus Portfolio and TPAM Programs is subject to certain minimum account requirements.

The PCS AAA account minimum is \$50,000.

The PCS Plus Portfolios account minimum is \$50,000.

Account minimums vary for TPAMs, with at least one of our eight TPAMs offering account minimums of \$25,000.

The American Funds F2 Share Mutual Fund program has a \$250 minimum account size.

**PCS reserves the right to waive the minimum account size where deemed appropriate.** Private Client Services may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

PCS AAA Program clients must direct Private Client Services as to the broker dealer to be used in managing their account. As a condition for program participation, clients are required to direct us to custody their assets with and to place trades through Pershing LLC. Pershing LLC is an affiliated FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. Private Client Services has negotiated an arrangement with Pershing LLC to provide custodial and brokerage services as part of the PCS Asset Allocation Account Program. As such, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker dealer or custodian other than Private Client Services and Pershing LLC respectively. Please refer to the "Other Financial Industry Activities and Affiliations" section of Item 9 for additional information.

PCS Plus Portfolio Program clients must direct Private Client Services as to the broker dealer to be used in managing their account. As a condition for program participation, clients are required to direct us to custody their assets with and to place trades through Pershing, LLC, Pershing Advisory Solutions, Charles Schwab,

or TD Ameritrade. Pershing, LLC, Pershing Advisory Solutions, Charles Schwab, and TD Ameritrade are affiliated FINRA-member broker dealers and the clearing firms and custodians that we use for brokerage accounts. Private Client Services has negotiated an arrangement with all four custodians to provide custodial and brokerage services as part of the PCS Plus Portfolio Program. As such, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker dealer or custodian other than Private Client Services, Pershing, LLC, Pershing Advisory Solutions or Charles Schwab or TD Ameritrade respectively. Please refer to the "Other Financial Industry Activities and Affiliations" section of Item 9 for additional information.

## **TYPES OF CLIENTS**

Private Client Services provides advisory services in the PCS Asset Allocation Account Program, PCS Plus Portfolio Program, and through Third Party Asset Managers (TPAM) where appropriate, to:

- Individuals
- Pension & Profit Sharing Plans
- Trusts
- Estates
- Corporations
- Charitable Organizations
- Partnerships
- Limited Liability Corporations

## **ITEM 6 PORTFOLIO MANAGER SELECTIONS AND EVALUATION**

### **PORTFOLIO MANAGER SELECTION**

All PCS AAA assets are managed by registered, independent Investment Advisor Representatives of our firm. These individuals must possess, minimally, a college degree and/or appropriate business experience and all required registrations/certifications.

The PCS Plus Portfolios are managed internally by the PCS Investment Committee, which consists of members of the Marketing/Research, Compliance, and Operations Departments, and Executive Management.

The American Funds F2 share mutual funds are managed by American Funds Distributors designated portfolio fund managers.

With regard to clients who select a TPAM account, PCS has established a thorough due diligence process to investigate various aspects of each TPAM, including evaluation and analysis of historical investment performance, portfolio manager biographies and backgrounds, trading and operations policies, compliance, code of ethics and overall business enterprise risk.

### **PORTFOLIO PERFORMANCE REPORTING**

PCS calculates the performance of all participating accounts based on standards drawn from industry sources, which may include the CFA Institute's Global Investment Performance Standards, or "GIPS",



formerly known as the AIMR Performance Presentation Standards. Performance is currently calculated by taking into account some of the following items: a time-weighted rate of return; cash flows into and out of the accounts; monthly valuations; and income accrued on fixed income securities.

PCS has partnered with Orion Advisor Technology (“Orion”) to provide portfolio accounting, billing, some trading, and performance reporting services for the Asset Allocation Account Program. Performance information generated through Orion is calculated using Time Weighted Rate of Return (“TWRR”), a GIPS-compliant methodology. PCS is not a GIPS-compliant firm but strives to use GIPS methodology whenever possible.

PCS has partnered with Pershing, LLC, Pershing Advisory Solutions, Charles Schwab, and TD Ameritrade to provide brokerage, custodial and other services for the PCS Plus Portfolios Program. Performance reporting for the Plus Portfolios will be administered by Orion. Orion, the portfolio administrators, run and review monthly reports to detect any position drift. We monitor performance on a monthly basis (at a minimum) for managers, investment research providers, and for our own analysis.

We monitor client investments and the performance of their portfolios on a periodic basis, based on the procedures and timing intervals delineated in the supervisory procedures of Private Client Services. Investment performance is reported to the client at least quarterly, and a suitability review of investment objectives, risk tolerances and the selected benchmark is made available to each client at least once annually. We supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

All TPAMs calculate and present investment performance that is compliant with the CFA Institute's Global Investment Performance Standards.

## **AFFILIATED PORTFOLIO MANAGERS**

As previously disclosed, all client assets in the PCS AAA program are managed, on either a discretionary or non-discretionary basis, by registered, independent Investment Advisor Representatives of our firm.

The PCS Plus Portfolios are managed by the PCS Investment Committee.

## **PERFORMANCE-BASED FEES**

Private Client Services does not charge performance-based fees.

TPAMs utilized by PCS do not charge performance-based fees.

## **METHODS OF ANALYSIS**

All PCS Investment Advisor Representatives operate independently of each other in the utilization of available sources of investment research, economic forecasts, and investment decision making tools. PCS provides a strategic asset allocation framework to all of our IARs for the purpose of creating suitable asset allocation model choices for any given client. The individual advisor will exercise their own discretion regarding the research and analysis tools necessary to support investment decision making, security selection and portfolio construction. Portfolio construction will consist of investment in individual securities, mutual funds, exchange traded funds, unit investment trusts, options or other investment vehicles. PCS supervises and monitors both the suitability of asset allocation and individual security selections on a periodic basis.

PCS Plus Portfolios also use the following methods when evaluating portfolio selection and allocation

within the various model portfolios.

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors, including the overall economy, industry conditions, and the financial condition and management of the company itself, to determine if the security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** Technical analysis is the evaluation of the price and volume trading history and other associated characteristics to help identify price levels where a security might be purchased or sold. Measures of relative strength, trading volume, price support and resistance, price momentum and volatility are some of the attributes of a security which are taken into account when making purchase or sale decisions.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to achieve investment objectives over the course of a market cycle and in different economic environments. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap or duplication in the underlying investments held in other funds in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine that they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Asset Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent TPAMs in an attempt to determine if that manager has demonstrated an ability to achieve investment objectives over the course of a market cycle and in different economic environments. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities that we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate, timely and unbiased data and analysis. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Investment and Trading Techniques Employed**

We may use one or more of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

1. We believe the securities to be currently undervalued, and/or;
2. We want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

***Short-term purchases.*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

***Trading.*** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

***Margin transactions.*** We will purchase securities for your portfolio with money borrowed from your brokerage account. This allows you to purchase more securities than you would be able to with your available cash, and allows us to purchase securities without selling other holdings.

***Option writing.*** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

1. A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
2. A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased in a client portfolio.

We use "covered calls", in which we sell an option on security currently held in a portfolio. In this strategy, the client receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the owner/client at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that is purchased and a call option that is sold, with both transactions occurring simultaneously) for the same underlying security. This effectively puts the owner/client on both sides of the market, but with the ability to vary price, time and other factors.

***Risk of Loss.*** Securities investments are not guaranteed and you may lose money on your investments. Key to a successful relationship with your investment advisor is an accurate and realistic evaluation of your tolerance for risk taking and the ability to absorb adverse investment performance. We ask that you work with us to help us best understand your tolerance for risk.

### **Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **ITEM 7 CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

The Investment Advisor Representative is responsible for referring a client to the program, and will complete an account application and an in-depth risk profile questionnaire for each newly opened managed account. Through a process of discussion and discovery, PCS IARs evaluate and analyze a given client's particular financial goals, resources and constraints. Key determinants include the client's investment objectives, their investment and income time horizons, their risk tolerance, and their anticipated liquidity needs. Our IARs then develop and recommend one or more suitable personal investment strategies to create and manage an investment portfolio that will enable the client to reach their financial goals.

The relevant information is submitted to the PCS RIA Program Manager and PCS Designated Supervisory Personnel. A determination is made as to whether participation in this program is appropriate for the client. On an ongoing basis, the participating client's Investment Advisor Representative is responsible for obtaining and communicating to us any changes in the client's financial circumstances and/or objectives, including modifications to any client-imposed restrictions, if applicable.

PCS requires that the client's IAR review the questionnaire annually and confirm with the client that there are no changes in the client's investment objectives, to ensure the selected investment strategy remains appropriate for the client's circumstances and consistent with the client's investment objectives.

## **ITEM 8**    **CLIENT CONTACT WITH PORTFOLIO MANAGERS**

The client's Investment Advisor Representative is available to discuss the management and performance of the client's account, and consider changes in the client's situation which may have an impact on the client's investment objectives, risk tolerance and time horizon.

## **ITEM 9**    **ADDITIONAL INFORMATION**

### **Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose that are pertinent to the management and supervision of the Asset Allocation Account.

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

***FIRM Registrations.*** In addition to Private Client Services being a Registered Investment Adviser, our firm is registered as a FINRA member broker-dealer. A list of affiliated broker-dealers is specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

***MANAGEMENT PERSONNEL Registrations:*** Management personnel of Private Client Services are separately licensed as registered representatives of Private Client Services, a FINRA affiliated broker-dealer. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

While Private Client Services and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

Clients should be aware that the receipt of additional compensation by Private Client Services and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Private Client Services endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a Registered Investment Adviser; we take the following steps to address this conflict:

1. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
2. We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
3. We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
4. Our firm's management conducts regular reviews of each client account to verify that all



- recommendations made to a client are suitable to the client's needs and circumstances;
5. We require that our employees seek prior approval of any outside business activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
  6. We periodically monitor these outside business activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
  7. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

As previously disclosed, clients are required to direct us to custody their assets with and to place trades through Pershing LLC as a condition for participation in the PCS Asset Allocation Account program. Pershing LLC is a FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. Our firm has evaluated Pershing LLC and believes that it will provide our clients with a blend of execution services, commission costs, and professionalism that will assist us in meeting our fiduciary obligations to clients.

Clients are required to direct us to custody their assets with and to place trades through Pershing, LLC, Pershing Advisory Solutions, Charles Schwab, or TD Ameritrade as a condition for participation in the PCS Plus Portfolio program. Pershing, LLC, Pershing Advisory Solutions, Charles Schwab and TD Ameritrade are FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. Our firm has evaluated all three custodians and believe that they will provide our clients with a blend of execution services, commission costs, and professionalism that will assist us in meeting our fiduciary obligations to clients.

In evaluating such an arrangement, the client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by Private Client Services on a trade-by-trade basis, and best execution may not be achieved. In addition, as noted above in Item 4, transactions in the client's account are effected "net" (i.e., without separate commission charge to the client) and a portion of the wrap fee is generally considered as being in lieu of commissions. Not all advisers require clients to direct it to use a particular broker dealer, though the sponsors of wrap fee programs typically do.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Private Client Services and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Private Client Services' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [esampson@pcsb.net](mailto:esampson@pcsb.net), or by calling us at 502-451-0600.

Private Client Services and individuals associated with our firm are prohibited from engaging in principal

transactions.

Private Client Services and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

As previously disclosed, related persons of our firm are separately registered as securities representatives of a broker-dealer, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to the preceding section for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Review of Accounts**

### **Private Client Services Asset Allocation Account (AAA)**

**REVIEWS:** While the underlying securities and transaction activity within AAA accounts are continually monitored by Advisory representatives, these accounts are also offered a review at least annually. Accounts are reviewed in the context of the client's investment objectives, risk tolerance and time horizon, as well as the target asset allocation for each model portfolio and any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, significant contributions or withdrawals from the portfolio, or the market, political or economic environment.

These accounts are also periodically reviewed by: RIA Program Manager and/or Designated Firm Principals

**REPORTS:** Private Client Services, through our custodian Pershing, LLC, provide monthly/quarterly. or ad hoc reports summarizing account performance, transaction history, balances and current holdings. The client is also reminded to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### **Private Client Services Plus Portfolios**

**REVIEWS:** Plus Portfolios are continually monitored to ensure portfolio compliance with stated objectives, risk tolerance, and allocation. Plus Portfolios are subject to auto rebalancing of portfolio holdings depending on the amount of "Drift" (or changes to portfolio values based on performance of individual holdings within the portfolio).

Plus Portfolios, on at least a quarterly basis, are reviewed to identify any potential changes in portfolio holdings in order to maintain the portfolio objective, risk tolerance, or to improve potential returns within the portfolio.



**REPORTS:** Private Client Services provides monthly/quarterly, or ad hoc reports summarizing account performance, transaction history, balances and current holdings. The client is also reminded to notify their advisor if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### **Third Party Money Managers (TPAM)**

**REVIEWS:** These client accounts should refer to the TPAM's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment advisor.

PCS periodically reviews TPAM reports summarizing account performance, transaction and rebalancing history, balances and current holdings. PCS monitors the suitability of asset allocation models as selected by the client in the TPAM account agreement.

These accounts are reviewed by: RIA Program Manager and/or Designated Firm Principal.

**REPORTS:** These clients should refer to the TPAM's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment advisor.

Private Client Services does not typically provide reports in addition to those provided by the independent registered investment advisor selected to manage the client's assets.

### **Client Referrals and Other Compensation**

It is Private Client Services' policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

It is Private Client Services' policy not to accept "soft dollar" compensation as it relates to Registered Investment Advisory business. However, Private Client Services can receive expense reimbursement from vendors for applicable educational programs relating to the availability of products and services in the Asset Allocation Account as a mutual benefit to all parties, and may also receive reimbursement for technology expenses used to manage advisory business activities. These reimbursements will never be tied to any specific sales or asset minimum requirements.

### **Financial Information**

As an advisory firm we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations.

Private Client Services participates in TD Ameritrade's institutional customer program and Private Client Services may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Private Client Services' participation in the program and the investment advice it gives to its Clients, although Private Client Services receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Private Client Services participants; access to block trading (which provides the ability to aggregate securities

transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by Private Client Services' related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Private Client Services but may not benefit its Client accounts. These products or services may assist Private Client Services in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Private Client Services manage and further develop its business enterprise. The benefits received by Private Client Services or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Private Client Services endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Private Client Services or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Private Client Services' choice of TD Ameritrade for custody and brokerage services.

Private Client Services may recommend/require that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of the Advisor's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Private Client Services is independently owned and operated and not affiliated with Schwab. Schwab provides Private Client Services with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are 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 Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Private Client Services client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to Private Client Services other products and services that benefit Private Client Services but may not benefit its clients' accounts. These benefits may include national, regional or Private Client Services specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of Private Client Services by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Private Client Services in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide

research, pricing information and other market data, facilitate payment of Private Client Services fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of Private Client Services accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to Private Client Services other services intended to help Private Client Services manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to Private Client Services by independent third parties. Schwab Advisor Services 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 Private Client Services. While, as a fiduciary, Private Client Services endeavors to act in its clients' best interests, Private Client Services recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Private Client Services of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Private Client Services has not been the subject of a bankruptcy petition at any time during the past ten years.

Private Client Services has no additional financial circumstances to report.