

**Item 1 – Cover Page**



4500 Cameron Valley Parkway, Suite 270

Charlotte, NC 28211

**(704) 215-4420**

**March 23, 2020**

This Brochure provides information about the qualifications and business practices of Providence Capital Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at (704) 215-4420 or via email at [tsearson@provcapadv.com](mailto:tsearson@provcapadv.com). 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.

Providence Capital Advisors, LLC ("PCA") is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain them.

Additional information about PCA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for PCA is 174631. The SEC's web site also provides information about any persons affiliated with PCA who are registered, or are required to be registered, as Investment Adviser Representatives of PCA.

## Item 2 – Material Changes

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We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 30 days of the change. We will provide other ongoing disclosure information about material changes as they occur. We will also provide you with information on how to obtain the complete Brochure. Currently, our Brochure may be requested at any time, without charge, by contacting Tom Searson at (704) 215-4420.

Since our last annual amendment, March 28, 2019, we have had the following material changes:

- None

### Item 3 – Table of Contents

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## **Item 4 – Advisory Business Introduction**

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Providence Capital Advisors, LLC (“PCA”) is a Registered Investment Adviser (“Adviser”) which offers investment management and financial planning services to our clients. We are registered through and regulated by the Securities and Exchange Commission (“SEC”).

We provide investment advice through Investment Adviser Representatives (“Advisor”) associated with us. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on our behalf.

PCA was founded in 2015. Tom Searson, Brian Jones, and Stephen Ratcliffe serve as the Principals of PCA. We provide portfolio management services to individuals, high net worth individuals, corporations, and small businesses. Our minimum account opening balance is \$500,000 which may be negotiable based upon certain circumstances.

### **Services**

We provide discretionary and non-discretionary investment management services and financial planning services. Our focus is on helping you develop and execute plans that are designed to build and preserve your wealth.

We do not participate in wrap fee programs.

### **Investment Management**

Investment management is the professional management of securities in order to meet your specified investment goals. With an Investment Management Account, you engage us to assist you to meet your unique investment objectives. The investments in the investment management account may include stocks, bonds, options, master limited partnerships ETFs, preferred stocks, mutual funds, alternative investments, etc.

We will meet with you to discuss your financial circumstances, investment goals and objectives, and to determine your risk tolerance. We may ask you to provide statements summarizing current investments, income and other earnings, recent tax returns, retirement plan information, other assets and liabilities, wills and trusts, insurance policies, and other pertinent information.

Based on the information you share with us, we will analyze your situation and recommend an appropriate investment strategy. Our recommendations and ongoing management are based upon your investment goals and objectives, risk tolerance, and the investment strategy you have selected.

We manage five investment strategies for clients with a focus on individual securities. The allocation to each of these strategies is tailored to the specific needs and goals of each client. Some clients may be invested in just one of our strategies, while others may have exposure to all five.

**Core Equity Portfolio**

Our Core Equity Portfolio focuses on identifying investment themes that have secular or cyclical tailwinds that help propel growth within an industry. We then attempt to identify industry-leading companies with sustainable competitive advantages that will capitalize on these investment themes, which we believe will result in above-market growth. Disciplined valuation is a critical component to security selection, as companies in growing markets can often be valued as if strong growth will continue for a long period of time. Overpaying for this future growth can lead to sub-par returns. Our focus on industry-leading companies results in a well-diversified portfolio of global corporations that compete in our domestic market, developed international markets, and emerging international markets. When the right opportunities arise, the portfolio will include small cap and mid cap companies to complement the global multinational corporations. We manage risk in the portfolio by maintaining sector weightings between 50% and 200% of the S&P 500 sector weightings for the 8 major sectors. Portfolios typically include 25-30 stocks.

**Diversified Income Portfolio**

Our Diversified Income Portfolio is a multi-asset class combination of income-producing securities. The portfolio includes high dividend paying common stocks, real estate investment trusts, preferred stocks, master limited partnerships, and fixed income. We believe this hybrid, diversified approach provides an optimal balance between a dependable income stream and risk management. The primary objective in selecting securities is the sustainability of the income stream, with a secondary focus on the ability of this income to increase over time.

**Covered Call Portfolio**

Our Covered Call portfolio uses call options to increase the income and decrease the volatility of a stock portfolio. A call option gives the owner the right to buy a stock before a specified date (expiration) and at a specified price (strike). In a covered call portfolio, this right is sold to someone else in exchange for income.

The strategy is executed by buying a stock and simultaneously selling a call option on that stock. If the stock price is below the strike price at expiration, we usually continue to hold the stock and sell another call option to bring in more income. If the stock price is above the strike price at expiration, the stock will be sold at the strike price. Covered call portfolios typically go up less than the stock market during up markets and go down less than the stock market during down markets, which results in lower volatility. Covered call portfolios are optimal in a relatively flat or slightly positive equity market environment.

We focus on call options that allow for modest price appreciation before the strike price and expire in 2-4 months. Portfolios typically include approximately 15 covered call positions.

**Fixed Income Portfolio**

Fixed Income provides the foundation of a balanced portfolio, and we therefore focus exclusively on high quality bonds with low default risk. Credit quality is the primary driver of security selection with yield generation a secondary driver. Taxable bond portfolios are constructed primarily with investment grade corporate bonds. Tax-free bond portfolios are constructed using high quality municipal bonds taking into account the state in which the client resides.

### **Exchange Traded Fund (ETF) Portfolio**

Our Equity ETF portfolio provides diversification across large cap, mid cap, small cap, developed international, and emerging markets. We tactically change allocations to these areas based on valuations, growth potential, and risk management. Furthermore, we add additional ETFs to the portfolio to gain exposure to specific investment themes or geographies.

If the bond allocation of a balanced ETF portfolio is a size which does not warrant individual bonds, we complement the ETF equity allocation with bond ETFs.

Your asset allocation may change as your personal circumstances change, therefore it is important that you notify us promptly when your financial situation, goals, objectives, or needs change. In addition, in some instances we may implement an investment strategy not listed above, based on the client's goals and objectives.

You shall have the ability to impose reasonable restrictions on the management of your account, including the ability to instruct us not to purchase certain stocks or other securities. These restrictions may be a specific company security, industry sector, asset class, or any other restriction you request. It is important to note that any restrictions may adversely affect the composition and performance of the investment portfolios.

Under certain conditions, securities from outside accounts may be transferred into your advisory account; however, we may recommend that you sell any security if we believe that it is not suitable for the current recommended investment strategy. You are responsible for any taxable events in these instances. Certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is not indicative of future results.

### **Financial Planning**

We provide comprehensive financial planning to our asset management clients. Financial planning is a comprehensive relationship which incorporates many different aspects of your financial status into an overall plan that intends to meet your goals and objectives. The financial planning relationship consists of face-to-face meetings and ad hoc meetings with you and/or your other advisors (attorneys, accountants, etc.) as necessary.

In performing financial planning services, we typically examine and analyze your overall financial situation, which may include issues such as taxes, insurance needs, overall debt, credit, business planning, retirement savings and reviewing your current investment program. Our services may focus on all or only one of these areas depending upon the scope of our engagement with you.

It is essential that you provide the information and documentation we request regarding your income, investments, taxes, insurance, estate plan, etc. We will discuss your investment objectives, needs and goals, but you are obligated to inform us of any changes. We do not verify any information obtained from you, your attorney, accountant or other professionals.

You are under no obligation to implement recommendations through us. You may implement your financial plan through any financial organization of your choice.

We obtain information from a wide variety of publicly available sources. We do not have any inside private information about any investments that are recommended. All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations.

### **Assets Under Management**

As of December 31, 2019, we managed approximately \$331,233,934 in discretionary assets, and approximately \$21,498,335 in non-discretionary assets, for total assets under management of \$352,732,269.

## **Item 5 – Fees and Compensation**

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### **Asset Management Fee Schedule**

Our minimum account opening balance is \$500,000. The fee charged is based upon the amount of money you invest. Multiple accounts of immediately-related family members, at the same mailing address, may be considered one consolidated account for billing purposes. Fees are charged quarterly, in advance. Payments are due on the first day of the quarter and are based on the ending balance of the account under management for the preceding quarter and will be calculated as follows:

Percentage	Portfolio Size (AUM)
1.50%	Up to \$500,000
1.25%	\$500,001 - \$1,000,000
1.00%	\$1,000,001-\$5,000,000
0.75%	\$5,000,001-\$15,000,000
.60%	\$15,000,001-\$25,000,000
.50%	\$25,000,0001 & Over

No increase in the annual fee shall be effective without prior written notification to you. We believe our advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

In certain circumstances, advisory fees and account minimums may be negotiable based upon prior relationships as well as related account holdings. Our fees will not be based upon a share of capital gains or capital appreciation of the funds or any portion of your funds.

Your account at the custodian may also be charged for certain additional assets managed for you by us but not held by the custodian (i.e. variable annuities, mutual funds, 401(k)s, private placements).



The fees we charge can be deducted directly from your account at the custodian. We will instruct the custodian to deduct the fees from your account at the beginning of the quarter. This fee will show up as a deduction on your next account statement from the custodian.

Company retirement plans with multiple employees as participants are charged a flat fee of .50% annually.

### **Financial Planning**

Our financial planning services are offered as a part of our investment management services to our existing clients. As such, there is no additional fee for these services. However, under certain circumstances in which the planning services become robust and complex, we may charge an hourly rate of up to \$300. In addition, we may charge a negotiated ongoing retainer fee for ongoing planning and consulting.

The Financial Planning Agreement will show the fee you will pay. In the event that you cancel the Financial Planning Agreement, you will be responsible for the actual hours spent preparing the financial plan, up to the cancellation date, at the agreed upon hourly rate. Upon termination of any account, any prepaid fees that are in excess of the management services performed will be promptly refunded to you. Any fees that are due, but have not been paid, will be billed to you and are due immediately.

Fees are due upon presentation of an investment plan or the rendering of services. An invoice will be provided to you outlining the outstanding fees. Investment plans will be presented to you within 120 days of the contract date, provided that all information needed to prepare the investment plan has been promptly provided to us. The financial planning agreement will terminate once you receive the final plan.

Based upon your needs, we may also provide consultations throughout the year to advise and counsel you about other financial issues. We can help you with transition planning, major transaction analysis, coordinated with cash flow needs, retirement needs, estate planning needs, income tax planning, life and disability insurance needs, investment needs, and college education planning.

Clients may terminate investment advisory services obtained from us, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with us. The client is responsible for any fees and charges incurred by the client from third parties as a result of maintaining the account such as transaction fees for any securities transactions executed and account maintenance or custodial fees. Thereafter, the client may terminate advisory services upon thirty day's written notice delivered to and received by us. Clients who terminate investment advisory services during a quarter are charged a prorated advisory fee based on the date of our receipt of client's written notice to terminate. Any earned but unpaid fees are immediately due and payable.

All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations.

### **Third Party Fees**

Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses. You may incur certain charges imposed by custodians, third party investment companies and other third parties. These include fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our primary focus is on managing investment portfolios using individual securities; however, certain strategies offered by us may involve investment in mutual funds and/or ETFs. Load and no load mutual funds may pay annual distribution charges, sometimes referred to as “12(b)(1) fees”. These 12(b)(1) fees come from fund assets, and thus indirectly from clients’ assets. Mutual funds, money market funds and exchange-traded funds (ETFs) also charge internal management fees. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. We do not receive any compensation from these fees. All of these fees are in addition to the management fee you pay us. You should review all fees charged to fully understand the total amount of fees you will pay. Services similar to those offered by us may be available elsewhere for more or less than the amounts we charge. The 12(b)(1) fee, deferred sales charges and other fee arrangements will be disclosed upon your request and are typically described in the applicable fund’s prospectus. Our brokerage practices are discussed in more detail under Item 12 – Brokerage Practices.

You could invest in a mutual fund directly, without our services. In that case, you would not receive the services provided by us which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate to your financial condition and objectives. Our Advisory Agreement defines what fees are charged and their frequency.

### **Item 6 – Performance Based Fee and Side by Side Management**

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We do not charge any performance-based fees. These are fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7 – Types of Client(s)**

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We provide portfolio management services to individuals, high net worth individuals, corporations, and small businesses.

Our minimum account opening balance is \$500,000 which may be negotiable based upon certain circumstances.

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

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### Methods of Analysis

We primarily use fundamental analysis as part of our overall investment management discipline. Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

In addition to using fundamental analysis, in order to implement our strategies, we also utilize technical and cyclical analysis. Technical Analysis is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume information. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations. Cyclical analysis helps determine if shifts are required in your investment strategies depending upon long and short-term trends in financial markets and the performance of the overall national and global economy.

### Investment Strategies

In order to perform this analysis, we use many resources, such as:

- Sell-side analyst research reports and conference calls
- Financial newspapers and magazines (e.g. The Wall Street Journal, Barron's, The Economist, etc.)
- Annual reports, prospectuses, regulatory filings
- Company conference calls, press releases, and websites

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Long term purchases - securities held at least a year
- Short term purchases - securities sold within a year
- Trading - securities sold within 30 days
- Margin Transactions
- Option writing, including covered options, uncovered options or spreading strategies for hedging purposes

### **Risk of Loss**

We cannot guarantee our analysis methods will yield a positive return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that you should be prepared to bear. You need to understand that investment decisions made for your account by us are subject to various market, currency, economic, political and business risks. The investment decisions we make for you will not always be profitable nor can we guarantee any level of performance.

A list of some of the risks associated with the strategies, products and methodology we offer are listed below:

### **Overall Risks**

Clients need to remember that past performance is no guarantee of future results. All investments carry some level of risk. You may lose some or all of the money you invest, including your principal. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.

While past performance does not necessarily predict future returns, it can indicate how volatile (or stable) a security has been over a period of time. Generally, the more volatile a security, the higher the investment risk. If you will need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a security with a volatile history because you will not have a long enough time horizon to sustain any declines in the stock market.

### **Margin Risk**

- You can lose more funds than you deposit in the margin account. A decline in the value of securities that are purchased on margin may require you to provide additional funds to your account to avoid the forced sale of those securities or other securities in your account.
- The custodian can force the sale of securities in your account. If the equity in your account falls below the maintenance margin requirements required under the law, or Custodial account's higher "house" requirements, the custodian can sell the securities in your account to cover the margin deficiency. You also will be responsible for any shortfall in the account after such a sale.
- The custodian can sell your securities without contacting you. Some investors mistakenly believe that a firm must contact them for a margin call to be valid and that the custodian cannot liquidate securities in their accounts to meet calls unless the custodian has contacted them first. This is not the case. The custodian will attempt to notify you of margin calls, but is not required to under the regulations or as stated in our margin agreement. Even if the custodian has contacted a customer and provided a specific date by which the customer can meet a margin call, the custodian can still take the necessary steps to protect its financial interests, including immediately selling any securities without notice to the customer.
- You are not entitled to choose which security in your margin account is liquidated or sold to meet a margin call. Because the securities are collateral for the margin loan, the custodian has the right to decide which security to sell in order to protect its interest.

- The custodian can increase its maintenance margin requirements at any time and is not required to provide you with advance written notice. These changes at the custodian can take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause the custodian to liquidate or sell securities in your account.
- You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension.

#### **Option Risk**

- Options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (that is, put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.
- Purchasers of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin. If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium plus transaction costs. If you are contemplating purchasing deep out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.
- Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller being obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin. If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.
- Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium.
- The purchaser is still subject to the risk of losing the premium and transaction costs.
- When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

### **Short Term Trading Risk**

- When utilizing this strategy, securities that are purchased with the idea of selling them within a relatively short time (typically 30 days or less). This is done in an attempt to take advantage of conditions that hopefully will soon result in a price swing in the securities are purchased.
- A short-term purchase strategy poses risks should the anticipated price swing not materialize; the purchaser is then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and could result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

### **Fundamental Analysis Risk**

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.
- The data used may be out of date.
- It is difficult to give appropriate weightings to the factors.
- It assumes that the analyst is competent.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and etc.

### **Alternative Investment Risk**

Alternative investments are subject to certain higher risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility.

### **Cyclical Analysis Risk**

Looking at market cycles in conjunction with other investment strategies can be useful when making investment decisions. However, market cycles are not always predictable. Each financial investment strategy has benefits and risks. Not every investment decision will be profitable, and there can be no guarantee of any level of performance.

### **Technical Analysis Risk**

Technical analysis is derived from the study of market participant behavior. Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.

## **Item 9 – Disciplinary Information**

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Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We do not have any information to disclose concerning PCA or any of our investment advisors. We adhere to high ethical standards for all advisors and associates.

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

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Neither PCA nor any of its management persons are registered as or affiliated with a broker-dealer, registered as a representative of a broker-dealer, a commodity pool operator, futures commission merchant, or commodity trading advisor, nor does it have any pending application to register.

### **Other Financial Industry Affiliations**

Our IARs may be licensed insurance agents with various companies. Our IARs may recommend insurance products and may also, as independent insurance agents, sell those recommended insurance products to clients. When such recommendations or sales are made, a conflict of interest exists as the insurance licensed IARs earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. We require that all IARs disclose this conflict of interest when such recommendations are made. Also, we require IARs to disclose that clients may purchase recommended insurance products from other insurance agents not affiliated with us. All insurance business is conducted through our affiliate company, PCA Insurance Consultants, LLC.

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

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### **General Information**

We have adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct, and fiduciary duty to you, our client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All of our supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

### **Participation or Interest in Client Accounts**

Our Compliance policies and procedures prohibit anyone associated with PCA from having an interest in a client account or participating in the profits of a client's account without the approval of the CCO.

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading
- Engaging in any fraudulent or deceitful act, practice or course of business
- Engaging in any manipulative practices

Clients and prospective clients may request a copy of the firm's Code of Ethics by contacting Tom Searson.

### **Personal Trading**

We may recommend securities to you that we will purchase for our own accounts. We may trade securities in our account that we have recommended to you as long as we place our orders after your orders or trade on an aggregated basis as described below. This policy is meant to prevent us from benefiting as a result of transactions placed on behalf of advisory accounts.

Certain affiliated accounts may trade in the same securities with your accounts on an aggregated basis when consistent with our obligation of best execution. When trades are aggregated, all parties will share the costs in proportion to their investment. We will retain records of the trade Order (specifying each participating account) and its allocation. Completed Orders will be allocated as specified in the initial trade order. Partially filled Orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

PCA has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of "Access Persons". The policy requires that an Access Person of the firm provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Adviser selects; provided, however that at any time that the Adviser has only one Access Person, he or she shall not be required to submit any securities report described above.

We have established the following restrictions in order to ensure our fiduciary responsibilities regarding insider trading are met:

- No securities for our personal portfolio(s) shall be bought or sold unless the information is also available to the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of yours.



### **Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information provided to us in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we deal with to restrict the use of your information. Our Privacy Policy is available upon request.

### **Conflicts of Interest**

PCA's advisors may employ the same strategy for their personal investment accounts as it does for its clients. However, advisors may not place their orders in a way to benefit from the purchase or sale of a security.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interests of all the accounts we advise.

## **Item 12 – Brokerage Practices**

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### **Factors Used to Select Custodians**

We recommend clients use Fidelity Investments as their custodian based on their relatively low transaction fees, trading platforms and support services.

### **Soft Dollars**

We may receive certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act"). These research products and/or services will assist the Advisor in its investment decision making process. Such research generally will be used to service all of the Advisor's clients, but brokerage commissions paid by the client may be used to pay for research that is not used in managing the client's account. The account may pay to a broker-dealer a commission greater than another qualified broker-dealer might charge to effect the same transaction where the Advisor determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

Because soft dollar benefits could be considered to provide a benefit to the adviser that might cause the client to pay more than the lowest available commission without receiving the most benefit, they are considered a conflict of interest in recommending or directing custodial services. PCA mitigates these conflicts of interest through strong oversight of soft-dollar arrangements by the Chief Compliance Officer, in order to assure the soft dollar benefits serve the best interests of the client.

There may other benefits from recommending Fidelity Investments such as software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Other services may include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom PCA may contract directly.

Soft dollar benefits may be proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

### **Best Execution**

We have an obligation to seek best execution for you. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, reputation and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

### **Brokerage for Client Referrals**

We do not receive any compensation or incentive for referring you to broker-dealers for brokerage trades.

### **Directed Brokerage**

We recommend that clients use Fidelity Investments as the custodian for their advisory accounts; however, clients may use the custodian of their choosing.

Not all advisory firms permit you to direct brokerage to a specific broker-dealer or custodian. We have an obligation to seek best execution for you. If you elect to select your own broker-dealer or custodian and direct us to use them, you may pay higher or lower fees than what is available through our relationships. Generally, we will not negotiate lower rates below the rates established by the executing broker-dealer or custodian for this type of directed brokerage account, unless we believe that such rate is unfair or unreasonable for the size and type of transaction.

**Trading**

We generally (but are not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients’ differences in prices and commission or other transaction costs. Under this procedure, transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. Client-specific transactions generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time.

**Item 13 – Review of Accounts**

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**Reviews**

Reviews will be conducted at least quarterly or as agreed to by us. Reviews will be conducted by the Chief Investment Officer. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, we will monitor for changes and shifts in the economy, changes to the management and structure of an equity or company in which client assets are invested, and market shifts and corrections.

**Reports**

From time to time, PCA will provide statements in addition to the statements provided by your custodian. You will be provided with account statements reflecting the transactions occurring in the account on at least a quarterly basis. These statements will be written or electronic depending upon what you selected when you opened the account. You will be provided with confirmations for each securities transaction executed in the account. You are obligated to notify us of any discrepancies in the account(s) or any concerns you have about the account(s).

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

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We do not receive any compensation for referring clients to another party nor do we pay any compensation to another party if they refer clients to us.

## **Item 15 – Custody**

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### **Standing Letters of Authorization**

Some clients may execute limited powers of attorney or other standing letters of authorization that permit the Firm to transfer money from their account with the client's independent qualified Custodian to third-parties. This authorization to direct the Custodian may be deemed to cause our firm to exercise limited custody over your funds or securities and for regulatory reporting purposes, we are required to keep track of the number of clients and accounts for which we may have this ability. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate any transfers that may have taken place within your account(s) each billing period. You should carefully review account statements for accuracy.

We do not have physical custody of any accounts or assets. However, we may be deemed to have custody of your account(s) if we have the ability to deduct your advisory fees from the custodian. Additionally, we have two IARs that acts as trustees for two clients which deems us to have custody, though the assets are held with an independent qualified custodian. We use Fidelity Investments as the custodian and/or broker-dealer for all your accounts. You should receive at least quarterly statements from the broker-dealer or custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare this official custodial record to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. If you notice any discrepancies, please contact Tom Searson.

## **Item 16 – Investment Discretion**

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You may grant us written authorization in the Advisory Agreement to have discretionary authority over your account. When we manage accounts on a discretionary basis, we will have the authority to select the securities bought and sold and the amount to be bought and sold, within the parameters of the objectives and risk tolerance of your account. When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions you have set. We require that any investment guidelines and/or restrictions be provided to us in writing. You will be notified of any purchases or sales through trade confirmations and statements that are provided by the custodian.

## Item 17 – Voting Client Securities

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We vote proxies for all securities via a third party service provider, selected by us and held in our Investment Management accounts, although clients always have the right to vote proxies themselves. The client can exercise this right by instructing us in writing not to vote proxies for them.

We will vote proxies in the best interest of the client and in accordance with our established policies and procedures. Clients may request, in writing, information on how proxies for their shares were voted. If any client requests a copy of our completed proxy policies and procedures or how we voted proxies for their account(s), we will promptly provide such information to the client.

If a material conflict were to occur, the Adviser will opt out of voting proxies for the client. Proxy voting policies and procedures are available upon request.

## Item 18 – Financial Information

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We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings.

In no event shall we charge advisory fees that are both in excess of \$1,200 dollars and more than six months in advance of advisory services rendered.

**Commented [BA1]:** Tiffany – Does this section have to be updated because of our use of Broadridge? We are technically voting the proxies for our clients. It is just that Broadridge is now voting them on our behalf.