



CLIENT BROCHURE

PENOBSCOT INVESTMENT MANAGEMENT CO., INC. Form ADV Part 2

50 Congress St., Suite 410
Boston, MA 02109
(617) 227-3111
www.pimboston.com

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This brochure provides information about the qualifications and business practices of Penobscot Investment Management Co., Inc. For questions about the contents of this brochure, please call 617-227-3111. 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.

Additional information about Penobscot Investment Management Co., Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

Penobscot Investment Management, Co., Inc. is a registered investment advisor with the Securities and Exchange Commission; however that registration does not imply a certain level of skill or training.

Item 2 – Material Changes

This annual update of the Penobscot Investment Management Co., Inc. Form ADV Part 2 Client Brochure contains material changes to report from the Brochure amended and filed on March 22, 2019.

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Item 4 – Advisory Business

Penobscot Investment Management Co., Inc. (“Penobscot”) provides investment management services to individuals, families, trusts, retirement plans and nonprofit organizations. The firm was founded in 1988 by Eugene H. Clapp and Douglas E. Hart. Penobscot is registered with the Securities and Exchange Commission as required by the Investment Advisors Act of 1940.

Penobscot typically invests in securities issued by leading companies with substantial financial strength. Some of the characteristics of these companies are a history of steady revenue, earnings and dividend growth. Other measures of importance are low multiples of security price to book value and earnings. In addition, Penobscot seeks companies with modest debt levels as well as those with above average profit margins and return on equity. Penobscot’s goal for clients, based on individual needs, is long-term capital appreciation and income growth in broadly diversified portfolios.

Portfolios are managed with careful consideration to clients’ current financial requirements and future expectations. The financial objectives of present and potential clients are carefully reviewed so that Penobscot may be continually responsive to the requirements of each client. At Penobscot, clients may impose restrictions on investing in certain securities or types of securities.

Penobscot does not participate in a wrap fee program.

Account Type	U.S. Dollar Amount	Total Number of Accounts
Discretionary	517,649,963	442
Non-Discretionary	135,775,192	63
Total	653,425,155	505

Item 5 – Fees and Compensation

Penobscot’s fees are based on the market value of the assets under management. These fees are charged quarterly in arrears and calculated on the market value of the assets at the close of the calendar quarter as follows:

Standard Fee

Annual Management Fee	Assets Under Management
1.00%	\$0 - \$1,000,000.00
.80%	\$1,000,000.01 - \$1,999,999.99
.60%	\$2,000,000.00 and above

When Serving as Trustee

Annual Management Fee	Assets Under Management
1.25%	\$0 - \$1,000,000.00
1.05%	\$1,000,000.01 - \$1,999,999.99
.85%	\$2,000,000.00 and above

i – Negotiability of Fees

In certain circumstances, Penobscot's fees may be negotiable.

ii – Client Fees

Clients may elect to have fees deducted from their accounts or for Penobscot to bill them directly. Penobscot does not require clients to pay fees in advance.

All fees paid to Penobscot for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and exchange traded funds ("ETFs") to their shareholders. These fees and expenses are described in each fund's prospectus and will generally include a management fee, other fund expenses, and a possible distribution fee for mutual funds. Additionally, clients have the option to purchase investment products that Penobscot recommends through other brokers or agents that are not affiliated with Penobscot. If clients choose this option, the client may incur an additional fee. Brokers recommended by Penobscot no longer charge broker commissions.

Penobscot does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 6 – Performance-Based Fees and Side-By-Side Management

Penobscot does not charge performance-based fees.

Item 7 – Types of Clients

Penobscot provides investment management services to individuals, families, trusts, retirement plans, and nonprofit organizations. Penobscot does not have requirements such as a minimum size for opening or maintaining an account.

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

Penobscot seeks to understand clients' unique needs and to meet their investment objectives. Penobscot meets those objectives by allocating assets appropriately across asset classes (stocks, bonds, and cash). The securities chosen are typically issued by leading companies with substantial financial strength.

At the core of Penobscot's investment strategy is an ongoing review of dividend-paying companies with a demonstrated commitment to growing dividends at an above-average rate. Penobscot is primarily a diversified equity investor; however, during periods when Penobscot believes equities are over-valued, it will place more emphasis on cash and fixed income securities. Penobscot avoids buying securities on margin and engaging in short selling or option trading unless otherwise requested by the client.

Investment in all securities involves risk. The value of stocks and bonds and the income derived may rise and fall and investors may not recoup the original amount invested. An investment may also be affected by changes in regulation, tax laws, international, political and economic developments, and government, economic or monetary policies.

Item 9 – Disciplinary Information

None of Penobscot's employees has ever been subject to legal or disciplinary action.

Item 10 – Other Financial Industry Activities and Affiliations

At the close of business on December 31, 2019, none of the investment personnel at Penobscot was registered, or had an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. None of the management persons at Penobscot was registered, or had an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Penobscot's investment managers do not maintain relationships or arrangements that are material to Penobscot's advisory business or to any clients with: broker-dealer, municipal securities dealer, government securities dealer or broker, investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund" and offshore fund), futures commission merchant, commodity pool operator or commodity trading advisor, banking or thrift institution, accountant or accounting firm, insurance company or agency, pension consultant, real estate broker or dealer and sponsor or syndicator of limited partnerships. Penobscot does, however, have an agreement with the trust department in one law firm to manage accounts. This relationship does not create a conflict of interest with Penobscot clients.

As a firm, Penobscot does not recommend or select other investment advisors for clients or receive compensation directly or indirectly from other advisors that would create a material conflict of interest, and Penobscot does not maintain other business relationships with advisors that would create a material conflict of interest for clients.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Penobscot has adopted a formal Code of Ethics, which establishes rules of conduct for all employees of Penobscot and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that Penobscot and its employees owe a fiduciary duty to Penobscot's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by Penobscot continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of Penobscot continue to be a direct reflection of the conduct of each employee. Clients may request a copy of Penobscot's Code of Ethics.

i – Avoidance of Conflicts of Interest

Penobscot does not recommend to clients, or buy or sell for client accounts, securities in which Penobscot employees or related persons have a material financial interest. Additionally, employees are required to obtain pre-clearance prior to placing trades in personal accounts, and all employee trades are made after client trades. Exceptions to the pre-clearance requirement are: U.S. government obligations and other fixed income securities, bank certificate of deposits, money market funds, direct re-investment programs and unaffiliated open-end mutual funds.

Item 12 – Brokerage Practices

i – The Custodians and Brokers Penobscot Uses

Client assets are required to be maintained in an account at a “qualified custodian”, generally a broker-dealer or bank. Penobscot recommends that clients use one of three SEC-registered broker-dealers: Charles Schwab & Co., Inc. (“Schwab”), member SIPC, TD Ameritrade Institutional (TD Ameritrade), member FINRA/SIPC and FINRA or Fidelity Brokerage Services, LLC (Fidelity) member FINRA/SIPC as the qualified custodian. Penobscot is independently owned and is not affiliated with any of these qualified custodians.

The qualified custodians offer services which include custody of securities, trade execution, and clearance and settlement of transactions. While Penobscot recommends that clients use either Schwab, TD Ameritrade or Fidelity as their custodian, the client decides whether to do so and opens their account with the custodian by entering into an account agreement directly with them. Penobscot does not open accounts for clients but will assist clients in doing so. Even though client accounts are maintained at a qualified custodian, Penobscot may still use other brokers to execute trades for client accounts (see section *iii*, *Penobscot’s Brokerage and Custody Costs*).

Along with custody and brokerage services, these custodians provide other products and services that offer benefits to clients and to Penobscot (see Item 14, Client Referrals and Other Compensation). As part of its fiduciary duties to clients, Penobscot endeavors at all times to put the interests of its clients first, and receipt of other products and services from these custodians does not diminish Penobscot’s duty to act in the best interests of its clients including seeking best execution of trades for client accounts.

ii – How Penobscot Selects Custodians

Penobscot seeks to use custodians who hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. Penobscot considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades
- Capability to facilitate transfers and payments to and from accounts
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.)

- Quality of services, competitiveness of the price of those services (fees, etc.) and willingness to negotiate prices

iii – Penobscot’s Brokerage and Custody Costs

Generally, the qualified custodians do not charge clients separately for custody services. Instead, some custodians charge clients commissions or other fees on trades that are executed or that settle into client accounts. In addition to these fees, the qualified custodians charge clients a flat dollar amount as a “prime broker” or “trade-away” fee for each fixed or income bond trade that Penobscot executes with a different broker-dealer but where the securities bought or sold are deposited (settled) into a client’s account. These fees are paid to the executing broker-dealer. Because of this, in order to minimize trading costs, Penobscot has the qualified custodians execute most of the trades for client accounts. Penobscot believes that having the qualified custodians execute most trades is consistent with its duty to seek “best execution” of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “*How Penobscot Selects Brokers/Custodians*”). Penobscot does not accept any “soft dollar” benefits from any broker-dealer in relation to bond transactions for advisory clients.

iv - Trade Aggregation

In general, investment decisions for each client are made independently from those of other clients and are made with specific reference to the individual objectives of each client account. Penobscot may execute block trades where possible and when advantageous to clients. Block trading is the process of aggregating multiple orders for the purchase or sale of the same security across multiple client accounts. Block trading allows Penobscot to execute equity trades in a more equitable and timely manner and to reduce overall commission charges to clients. Best efforts are made to aggregate trade orders whenever possible. No employee trades are included in client block trades.

Item 13 – Review of Accounts

Portfolios are reviewed on an ongoing basis by Penobscot’s portfolio managers whenever it is appropriate or necessary. Portfolio reviews may be requested by clients at any time and in response to questions about current events, market developments and personal needs. Penobscot recommends meeting with clients annually and, in some cases, more often to review investment goals and objectives. Portfolio appraisals are sent to clients quarterly. Appraisal reports include information such as portfolio positions, cost and market value, gains and losses and estimated annual income.

Item 14 – Client Referrals and Other Compensation

i – Client Referrals

The Securities and Exchange Commission has adopted strict rules for advisers when accepting third party referrals, and Penobscot follows written policies and procedures to ensure compliance with Rule 206(4)-3 of the Investment Advisers Act of 1940 (Cash Payments for Client Solicitations). If a prospective client is referred to Penobscot by a solicitor, Penobscot pays a referral fee to the solicitor under Rule 206(4)-3. The referral fee is paid entirely from Penobscot’s investment advisory fee and does not result in a higher fee or any additional

charges to the client. Solicitors must tell prospective clients about their relationship with Penobscot at the time of solicitation, deliver a copy of this ADV Part 2A and provide a written disclosure explaining the terms of arrangement. Referred clients should be aware of inherent conflicts of interest between solicitors and Penobscot with respect to the solicitation arrangement. Solicitors may refer potential clients to Penobscot because they will be paid a fee and not necessarily because Penobscot may provide appropriate and suitable investment strategies for the client.

In certain circumstances Penobscot employees may be paid a bonus by Penobscot for their role in acquiring new accounts or obtaining additional funding for existing accounts. This compensation arrangement will not result in a client paying a higher fee to Penobscot.

In prior years, Penobscot participated in TD Ameritrade's AdvisorDirect program (the "referral program") and received client referrals from TD Ameritrade. TD Ameritrade established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Penobscot and has no responsibility for Penobscot's management of client portfolios or Penobscot's other advice or services. Although Penobscot is no longer participating in the referral program and is no longer receiving client referrals through it, it is obligated to pay TD Ameritrade an on-going fee for each successful client relationship established as a result of past referrals. This fee is usually a percentage (not to exceed 25% of 1%) of the advisory fee that the client pays to Penobscot ("Solicitation Fee"). Penobscot also pays TD Ameritrade the Solicitation Fee on any advisory fees received by Penobscot from any of a referred client's family members who hired Penobscot on the recommendation of such referred client. Penobscot will not charge these clients any fees or costs higher than its standard fee schedule offered to its other clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients.

ii – Products and Services Available to Penobscot from TD Ameritrade

As disclosed under Item 12 above, Penobscot participates in TD Ameritrade's Institutional customer program. While there is no direct link between Penobscot's participation in the program and the investment advice it gives to its Clients, Penobscot 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 Penobscot 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 Penobscot by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Penobscot's related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit Penobscot but may not directly benefit its Client accounts. These products or services may assist Penobscot in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Penobscot manage and further develop its business enterprise. The benefits received by

Penobscot or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

iii – Products and Services Available to Penobscot from Schwab

As disclosed under Item 12 above, Penobscot participates in Schwab Advisor Services™ (formerly called the Schwab Institutional service program). While there is no direct link between Penobscot's participation in the program and the investment advice it gives to its Clients, Penobscot receives economic benefits through its participation in the program that are typically not available to Schwab retail investors. These are available on an unsolicited basis and at no charge to Penobscot so long as a total of at least \$10 million of clients' assets is maintained in accounts at Schwab and is not otherwise contingent upon Penobscot committing to Schwab any specific amount of business. Products and services include: execution of securities transactions; access to block trading; custody of client assets; and access to a broad range of investment products. The investment products available through Schwab include some to which Penobscot might not otherwise have access or that would require a significantly higher minimum initial investment.

Some of the products and services made available by Schwab may benefit Penobscot but may not directly benefit its Client accounts. These products or services are ones that may assist Penobscot in managing and administering Client accounts, including accounts not maintained at Schwab, or help Penobscot manage and further develop its business enterprise. These include: receipt of duplicate client statements and confirmations; the ability to deduct advisory fees directly from client accounts; access to an electronic communications network for client order entry and account information; assistance with back-office functions, recordkeeping and client reporting; research related products and tools; educational conferences; and consulting services. In addition, Schwab may arrange for third-party vendors to provide services to Penobscot. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of a third party's fees.

iv – Products and Services Available to Penobscot from Fidelity

As disclosed under Item 12 above, Penobscot participates in Fidelity Clearing & Custody Solutions®. Products and services include: execution of securities transactions; access to block trading; custody of client assets; and access to a broad range of investment products. The investment products available through Fidelity include some to which Penobscot might not otherwise have access or that would require a significantly higher minimum initial investment.

Some of the products and services made available by Fidelity may benefit Penobscot but may not directly benefit its Client accounts. These products or services are ones that may assist Penobscot in managing and administering Client accounts, including accounts not maintained at Fidelity, or help Penobscot manage and further develop its business enterprise. These include: receipt of duplicate client statements and confirmations; the ability to deduct advisory fees directly from client accounts; access to an electronic communications network for client order entry and account information; assistance with back-office functions, recordkeeping and client reporting; research related products and tools; educational conferences; and consulting services. In addition, Fidelity may arrange for third-party vendors to provide services to Penobscot. Fidelity may discount or waive fees it would otherwise charge for some of these services or pay all or a part of a third party's fees.

Item 15 – Custody

Penobscot is deemed to have custody of some client assets. In cases where Penobscot is granted authorization by clients to deduct advisory fees from client accounts, Penobscot is deemed to have constructive custody of those client assets. In certain cases where Penobscot is granted authorization by clients to transfer funds from client accounts, Penobscot may be deemed to have constructive custody of those client assets and follows the guidelines set forth in the SEC's No Action letter to the Investment Advisory Association dated February 21, 2017. In cases where an employee of Penobscot acts as trustee to client accounts, Penobscot is deemed to have custody of those client assets unless a personal relationship pre-dates the employee's professional relationship with the client. In those cases where Penobscot is deemed to have custody of client assets and is required by the SEC to subject such accounts to a surprise exam performed by an independent auditor, Penobscot does so and those results are on file with the SEC.

As described in Item 12, Brokerage Practices, client assets are maintained at a qualified custodian. These custodians are required to send account statements directly to clients at least quarterly. Penobscot also sends quarterly, and/or more frequently, account statements directly to clients. These statements include an invoice of the most recent quarter's advisory fee as well as account withdrawal activity related to prior advisory fees. In order to ensure that all account transactions, holdings and values are correct and current, clients are urged to carefully review these statements for accuracy. Any discrepancies should be brought to the attention of Penobscot and/or the custodian as soon as possible. For tax and other purposes, the custodial statement is the official record of a client's account(s) and assets.

Item 16 – Investment Discretion

Penobscot accepts discretionary authority to manage security accounts on behalf of clients. Clients have the option to not grant discretionary authority and place restrictions or limitations on their accounts. Restrictions or limitations are determined at the time the investment management agreement is signed. These restrictions or limitations may be amended with written authorization.

Item 17 – Voting Client Securities

Rule 206(4)-6 of the Investment Advisors Act of 1940 ("Advisors Act") requires advisors to create and maintain written proxy voting policies and procedures. Clients may request a copy of these policies and procedures.

In voting proxies, Penobscot reviews each proxy vote from firms in which clients have an investment. Penobscot's voting responsibility is to clients' best interest. When conflicts of interest on proxy matters are identified, they are disclosed to the client and resolved to benefit the client. When a conflict is disclosed, Penobscot requests that the client review the proxy issue and instruct in writing their voting instructions. If the client is unable to direct or is uninformed on an issue, Penobscot suggests that an independent third party be retained at the client's expense to determine how the proxy should be voted.

Penobscot ensures that all votes are submitted in a timely manner unless Penobscot otherwise determines that voting a proxy is not in the client's best interest. Penobscot entered into an agreement with a vendor which provides proxy information through an automated electronic

interface. This service is being utilized for accounts in which Penobscot has proxy voting authority. Clients may request information on how proxies were voted.

Certain clients have retained proxy voting authority and in such instances Penobscot has no responsibility and may not take any action regarding these clients' proxies. If clients do not authorize Penobscot to vote client securities, clients will receive proxies and other solicitations directly from the custodian or transfer agent. Penobscot makes it known to clients that they may always contact Penobscot with any questions they may have about proxy voting.

Item 18 – Financial Information

This item is not applicable to Penobscot.

Item 19 – Requirements for State-Registered Advisors

This item is not applicable to Penobscot.