



Firm Brochure

(Part 2A of Form ADV)

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This Brochure provides information about the qualifications and business practices of Private Advisory Group LLC ("PAG"). If you have any questions about the contents of this Brochure, please contact us at 425-498-2320 or by email at compliance@privateadvisory.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.

Additional information about PAG is available on the SEC's website at www.adviserinfo.sec.gov. Registration with the SEC does not imply a certain level of skill or training.

February 19, 2020

Private Advisory Group LLC

Item 2 Material Changes

Material Changes Since the Last Annual Update

We use this section to notify clients and potential clients of material changes in our business activities or practices since our last annual updating amendment. We have made no material updates since our last annual update in March 2019.

Please be aware that we made other amendments to the Brochure that we do not consider material and therefore do not discuss in this summary.

Date of Last Annual Update: March 25, 2019

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Item 4 **Advisory Business**

Firm Description

Private Advisory Group LLC (“PAG,” “we,” “our,” “us,” “the Firm”) is a Washington limited liability company founded in November 2013. Our registration as an investment advisor was effective in January of 2014 and we began actively serving clients in July of 2014.

PAG provides personalized confidential financial planning and investment management to a variety of clients, including individuals, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include determination of financial goals and objectives, identification of financial problems, investment management, tax & estate planning, insurance review, education funding, retirement planning and cash flow management.

We make our advisory services available to clients through individuals associated with the Firm as investment advisory representatives (“Advisor”). For more information about the Advisor providing advisory services, please refer to the Brochure Supplement for that Advisor. The Brochure Supplement is a separate document provided to you along with this Brochure before or at the time you engage us. If you did not receive a Brochure Supplement, you should contact the Advisor or PAG’s home office by calling 425-498-2320.

PAG may choose to replace the Advisor assigned to a client relationship and will provide a new Brochure Supplement at the time of the change.

Principal Owners

Bean Holdings, LLC, a Washington limited liability company, owns approximately 96% of PAG. Bean Holdings is majority-owned by Douglas R. Bean (CRD No. 4541916), PAG’s Chief Investment Strategist and S Christopher Bean (CRD No. 4206985), PAG’s Chief Executive Officer. The remaining 4% is jointly owned by family members within MJM Management, LLC, a Washington limited liability company. Chris and Doug Bean have managed PAG since its inception.

Types of Advisory Services

INDIVIDUAL PORTFOLIO MANAGEMENT SERVICES

We provide continuous management of client assets based on the individual needs of the client. Through the Advisor’s discussions with you, we determine your individual goals and objectives, time horizons, risk tolerances, and liquidity needs. As appropriate, we may also discuss and review with you prior investment history and intergenerational planning and wealth transition issues. We strive to develop a general portfolio allocation designed to match each client’s objectives and risk tolerances. We then manage assets according to that

portfolio allocation, which will change over time as both the client's own situation and the broader markets change.

We manage advisory client assets primarily on a discretionary basis, but we may accept non-discretionary accounts as well. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

We generally implement our investment recommendations through PAG-generated investment models implemented by the Firm's portfolio managers and overseen by the Firm's Investment Management Oversight Committee. Individual advisory representatives also have latitude to manage portfolios in response to individual client needs and based on the advisory representative's investment philosophy.

In addition to investment management services, advisory clients may receive the following services:

- Cash flow management;
- Estate planning;
- Education planning;
- Retirement planning;
- Tax return preparation and filing;
- Insurance review.

PAG may facilitate estate planning and tax return preparation and filing through qualified attorneys and tax professionals we recommend and with whom we work closely. Where we provide referrals to other professionals, the PAG Advisor serves as a single point of contact for coordination of services.

Our investment recommendations are not limited to any specific product or service and generally include advice regarding a broad range of securities and investment types.

Because some types of investments involve additional degrees of risk, and may also involve additional expenses, they will only be employed when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability.

Initial public offerings (IPOs) are not available through PAG.

We do not currently offer traditional wrap fee programs, in which assets are referred to a third-party manager or managers and a single management fee, covering both investment advice and transaction and execution costs, is assessed to the account.

More information on our fees appears in Item 5, below. More information on fees charged by independent custodians appears in Item 12.

FINANCIAL PLANNING SERVICES

PAG usually provides financial planning services to clients as part of its general advisory services, and in connection with its broader investment management functions. We occasionally provide financial planning services to clients where PAG designs a financial plan but is not then responsible for implementation. Financial plans we design may include the following elements, depending on client needs:

- A net worth statement;
- A cash flow statement;
- A review of investment accounts, including an asset allocation review and the provision of repositioning recommendations;
- Strategic tax planning;
- A review of retirement accounts and plans, including recommendations;
- A review of insurance policies and, if necessary, recommendations for changes;
- A review of one or more retirement scenarios;
- An estate planning review and recommendations; and
- Education planning with funding recommendations.

We provide detailed investment advice and specific recommendations as part of a financial plan. If the financial planning services are separate from our discretionary advisory work, implementation of the recommendations is the client's sole responsibility. After delivery of a financial plan, we may schedule future face-to-face meetings as necessary for up to six months.

OUTSIDE PROFESSIONAL SERVICES

In some instances, and for some clients, we contract with independent professionals at the Advisor's discretion. These professionals include, but are not limited to, the CPAs and attorneys identified in Item 10. When engaged by PAG, these professionals participate as members of the client's private advisory group. Services rendered as part of the client's private advisory group primarily include estate planning, tax planning, tax preparation, tax filing services, and healthcare consulting services if necessary. As described more fully in Item 10, PAG may agree to pay directly for the services of the independent professionals.

Assets under Management

As of December 31, 2019, PAG had approximately \$365.4 million in discretionary assets under management. This figure includes Aequis securities at the current value shown by the qualified custodians. We also had approximately \$2.4 million in non-discretionary assets under management.

Item 5 Fees and Compensation

Investment Management Fees

We are compensated for our investment management services solely through advisory fees. We provide additional information about this below and at Item 6 and Item 10.

The scope of work we will perform and the fee for such services is based on a percentage of assets under management. Fees are specifically disclosed in writing to clients at the start of the relationship in our Advisory Service Agreement or Retainer Agreement, and the related Schedule B. Our asset-based advisory fees for new clients typically follow the maximum schedule below, subject to a minimum annual fee of \$5,000.00:

Asset under Management	Annual Fee
\$0.00 to \$1,000,000.00 (first \$1 million)	1.07%
\$1,000,000.01 to \$3,000,000.00 (next \$2 million)	1.03%
\$3,000,000.01 to \$5,000,000.00 (next \$2 million)	0.94%
\$5,000,000.01 to \$10,000,000.00 (next \$5 million)	0.73%
\$10,000,000.01 to \$20,000,000.00 (next \$10 million)	0.61%
\$Over 20,000,000.00 (next amount of assets)	0.49%

The client's Advisory Service Agreement or Retainer Agreement describes any additional fees, which will generally not exceed the schedule above.

Performance-Based Fees

The firm also offers a performance-based fee arrangement to qualified clients. The performance fee is 18.3% of absolute annual return, including both realized and unrealized gains and losses, and subject to an intra-year high water mark. There will be no hurdle rate, meaning there is no minimum amount of return the account must achieve for us to assess the performance fee. PAG's performance fee arrangement is described further in Item 6 and is available only to clients who also have at least \$1 million in our traditional asset management program subject to the fee schedule above.

Performance will be calculated quarterly and the performance fee, if applicable, will be applied quarterly in arrears. PAG will use the value of client assets at the time the performance-based fee agreement is executed to establish the base value of the assets for performance calculation purposes. The firm will note the account's high water mark during the calendar year, which is based on the highest value at any quarter-end during that calendar year. Once the high water mark is established, subsequent quarterly performance in that calendar year must exceed the high water mark before a performance fee will be charged. The value at December 31 of each year will become the base value for calculating performance the subsequent year, regardless of any prior high water mark.

All of our advisory fees are negotiable, including the minimum annual fee and the Asset Administration, Reporting & Technology fee. Some clients may have different fee schedules than the one described above. Clients should review the Advisory Service Agreement for disclosures regarding the specific asset-based advisory fee schedule applicable to their account(s).

For traditional asset-based accounts, we bill our advisory fees quarterly in advance at the beginning of each calendar quarter based on the value of assets under our management as of the end of the previous calendar quarter. Performance-based fees are calculated and deducted in arrears, as described above. All advisory fees are in most cases automatically deducted from the custodial account you designate. Traditional asset-based accounts may ask that we invoice you for advisory fees instead. Performance-based fee accounts must agree to direct fee deduction.

Initial advisory fees are pro-rated based on the number of days remaining in the calendar quarter and are deducted from the custodial account(s) with the next quarterly billing cycle. Clients who terminate their Advisory Service Agreement with PAG during a calendar quarter will receive a pro-rata refund of any pre-paid, unearned advisory fees. The amount of the refund will be calculated by dividing the most recent management fee by the number of days in the quarter and multiplying that figure by the number of days left in the quarter following the date of termination.

In calculating our advisory fees, we rely on valuations provided by the custodians holding the assets. The custodians describe their specific policies in the disclosures printed on account statements and other communications.

For publicly-traded securities, current market pricing information is available through third-party vendors used by account custodians. In the case of unregistered private placements, there is no active market for the securities and current valuations are often not available. Custodians typically use the original investment amount in reporting value, if a more current valuation is not available from the issuer. In calculating advisory fees due on these positions, we use the value provided the custodian, which may differ significantly from the value an investor could obtain if the security were liquidated. We do not independently confirm the value of private placements held in Client accounts.

Asset Administration, Reporting & Technology Fee

We assess an Asset Administration, Reporting & Technology fee of .03% annually, one-fourth of which is calculated and charged quarterly on all assets under our management.

Retainer Agreements and Financial Planning Fees

We occasionally provide investment management services on a fixed-fee basis pursuant to a Retainer Agreement. Examples of circumstances where this could be a useful approach include clients with complex ongoing planning needs but with concentrated positions,

significant illiquid holdings, or retirement plans with few investment options. We typically base annual fees related to Retainer Agreements on the complexity of the work contemplated. While such fees are subject to a \$10,000.00 minimum annual fee, all fees related to Retainer Agreements are negotiable. We generally bill retainer fees quarterly, in advance, based on the agreed annual rate.

We negotiate fees for both separate financial planning and retainer services on a case-by-case basis depending on the degree of complexity associated with the client's situation. In some cases, clients may incur both fixed financial planning fees and asset-based fees for investment management.

Where we are engaged to provide a stand-alone financial plan, without other asset management services, we bill the financial planning fees after delivery of the plan. Costs range from \$0.00 to \$10,000.00 based on the facts known at the start of the engagement. Because financial planning is a discovery process, however, facts may emerge that highlight financial exposures or predicaments the client was unaware of or which the client did not initially disclose to us. In the event the client's situation is substantially different from what we learned at the initial meeting, we will provide a revised fee for mutual agreement. If a fee increase is necessary, the client must approve the change of scope in advance of the additional work performed.

We expect to complete all negotiated financial planning services in fewer than six months from the date we begin the engagement. If we determine that financial planning services will likely take six months or longer to complete, we may provide a revised fee and/or advanced fee payment arrangement to the client for mutual agreement. In no event will PAG collect fees of more than \$1,200, six months or more in advance.

Application of Asset-Based Fees

Our Advisory fee and the Asset Administration, Reporting & Technology fee apply to all assets under management, unless otherwise indicated on the Advisory Services Agreement. This includes securities for which a PAG Advisor or other related person previously received a transaction fee for the execution of PAG's recommendation to acquire the investment. PAG Advisors no longer receive any transaction-based compensation and have not done so for several years.

Other Fees

Our advisory fees are exclusive of custodial fees, brokerage commissions and fees, transaction fees, bank service fees, interest on loans and debit balances, wire transfer and electronic fund transfer fees, interest on margin accounts, borrowing charges on securities sold short, and any other fees and taxes on brokerage accounts and securities transactions.

Please see "Selecting Broker Dealers" in Item 12 below for a discussion regarding brokerage that may be relevant to this discussion of fees.

We may invest Client assets in mutual funds, including open-end and closed-end mutual funds and exchange-traded funds, as well as other types of pooled investment vehicles. Mutual funds and exchange-traded funds charge internal management fees, which are disclosed in a fund's prospectus and which are separate from the management fees paid to Advisor. As such, clients with investments in these types of securities are subject to one or more additional layers of management fees.

Item 6 Performance-Based Fees and Side-by-Side Management

PAG offers a performance-based fee option for clients who meet certain qualifications. Clients who choose this option must be "Qualified Clients," as defined in SEC Rule 205-3. In addition, PAG generally requires that clients place at least \$500,000 in the performance-based fee arrangement, as well as maintain at least \$1 million under the firm's traditional management approach and fee structure.

PAG manages assets on both a performance-fee basis and a traditional asset-based basis. See Item 5 for our asset-based and performance-based fee schedules.

Managing accounts on both a performance-fee and asset-based basis creates a conflict of interest. PAG stands to earn considerably more from performance-fee accounts if returns are significant. This provides an incentive for PAG to take additional risks in the hope of achieving higher returns. Furthermore, because PAG could earn more from the performance-based accounts, the Firm has an incentive to devote more time to these accounts and to select those investments the Firm believes will be more profitable. To address this conflict, the Firm uses a separate performance-based model that includes securities that PAG would not ordinarily select for its clients. The largest differences between the two approaches will be in turnover and diversification. Performance based-fee accounts are likely to be less diversified than its asset-based fee counterpart and the turnover (trading volume) is likely to be higher. PAG's aim with the performance-based accounts is to generate significant upside, which necessarily entails greater risk of loss.

We attempt to mitigate these conflicts by requiring that clients maintain at least \$1 million in traditional asset-based accounts. This help ensure some portion of client assets are managed with less risk, and also maintains a more consistent revenue stream for the Firm.

Because we re-set the base value annually, Clients may end up paying more in performance fees than they would under an asset-based fee, even if performance is down overall for a given year. This would occur if a given quarter (or quarters) is up significantly but performance ends down or flat at the end of the year.

Item 7 Types of Clients

We provide investment advisory services to the following types of clients:

- Individuals (other than high net worth individuals);
- High net worth individuals;
- Trusts and estates of individuals and high net worth individuals;
- Charitable organizations;
- Corporations or other business entities not listed above.

PAG imposes a minimum account size requirement of \$500,000 of assets under management. Clients who select a performance fee must have a minimum of \$1 million in our traditional asset-based management, in addition to \$500,000 managed under the performance fee arrangement. We may waive the minimum account size requirement in our discretion or combine related accounts to achieve the minimum account size.

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

Methods of Analysis and Sources of Information

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

- **Asset Allocation** – Rather than focusing primarily on securities selection, PAG attempts to identify an appropriate ratio of equity securities, fixed income securities, alternative investments and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equity securities, fixed income securities, alternative investments and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.
- **Fundamental Analysis** – PAG attempts 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 company 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 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 security. Similarly, PAG's analysis of intrinsic value may simply be incorrect.

- **Technical Analysis** – PAG analyzes past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company, though a key assumption is the market price of a security at any given point accurately reflects all available information and represents the true value of the security. Technical analysis also assumes that price changes are not random. Risk is inherent in the fact that a poorly-managed or financially unsound company may underperform regardless of market movement. Further, the trend assumptions may be inaccurate and there is no guarantee that the price of a security will actually move in the direction an identified trend or pattern would suggest.
- **Charting** – In this type of technical analysis, PAG reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse. There is no guarantee that past patterns will correctly indicate future patterns.
- **Momentum Investing and Relative Strength** – “Momentum” refers to the belief that once a price trend is established (whether the trend is upward or downward) the price is more likely to continue in that direction than to move against the trend. Momentum investing is a type of technical analysis that typically results in short-term trading strategies by aiming to capitalize on the continuance of existing trends in the market. It is often combined with analysis of trading volume to help assess whether the desire to own stocks is growing, contracting, or getting “too overzealous.” “Relative strength” is a momentum investing technique that creates a point of comparison of the performance of a particular security against the performance of a selected benchmark, such as a market index or other similar securities. The aim is to buy securities exhibiting signs of strength while selling holdings as soon as they begin to appear weak. Relative strength is generally more useful in markets with clear trends. It may be less useful in choppy markets. As with all technical analysis methods, the assumptions or formulas may have shown success in the past but this does not mean these assumptions will continue to hold true.
- **Third-Party Services** – Individual advisory representatives may choose to use technical analysis and charting methods provided by third party providers to inform decisions made by the portfolio manager but do not determine investment decisions. In no event do these third parties access PAG client portfolios or provide advice to PAG clients.

Investment Strategy

PAG's primary investment strategy is to blend a mix of fixed income, equities, and alternatives investments in ways, which tend to reduce overall portfolio risk while providing less volatile returns over time. PAG's Investment Committee creates Model Portfolios in

response to specific investment needs and then implements client advice in accordance with the models and the judgment of the individual advisory representative serving the client. While exact portfolio weightings between fixed income, equities, and alternative investments will vary from client to client, the neutral starting point is usually a one-third portfolio allocation to each of these three asset classes. We generally achieve alternative investment exposure (which can exceed 33% of a client's portfolio) through investments in structured notes and investments in alternative strategy mutual funds. On occasion, we may recommend Private Placements for clients who can sustain the substantial risks these securities pose. Portfolios are globally diversified to diversify the risks associated with domestic markets. The investment strategy ultimately applied to each client's account is based on the unique objectives stated by the client during consultations with the Advisor. The client may change these objectives at any time.

Risk of Loss

Investing in securities involves risk of loss, including the possible loss of both income and principal, that clients should be prepared to bear. PAG's investment approach seeks to respect and minimize the potential risk of loss.

The following is a description of risks that clients should be prepared to bear in the management of their accounts by PAG, but is not intended to be a complete description of all risks that clients may be exposed to:

- **Market Risk:** The price of any security, including ETFs, equities, bonds or mutual funds may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Certain instruments may have no readily available market or third-party pricing. Structured notes usually have a limited secondary market and are often relatively illiquid. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet cash needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult to obtain market quotations based on actual trades for the purpose of valuing the security. Clients should invest in structured notes, private securities, and other illiquid (or relatively illiquid) assets only to the extent they have adequate other liquid assets available to fund current and ongoing cash requirements.
- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline. In a period of historically low interest

rates, this risk is especially significant for existing holdings. Longer-term fixed income securities are particularly susceptible to this risk.

- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to bonds, notes, and similar securities.
- Call Risk: Bonds or other fixed income securities, as well as some structured notes, that are callable carry an additional risk because they may be called prior to maturity depending on current interest rates. Calls increase the likelihood of reinvestment risk.
- Credit Risk: This is the risk that an issuer will default in the payment of principal and/or interest on a security. The price of a bond depends on the issuer's credit rating, or perceived ability to pay its debt obligations. Consequently, increases in an issuer's credit risk may negatively impact the value of a bond or structured note investment. This is a risk of all fixed-income investments, as well as structured notes we recommend.
- Inflation Risk: When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation. This affects all investments, but longer-term fixed income securities are particularly susceptible.
- Speculation Risk: Commodities, some alternative investments, real estate, and other markets are populated by traders whose primary interest is in making short-term profits by speculating whether the price of a commodity or security will go up or go down. The speculative actions of these traders may increase market volatility that could drive down the prices of commodities or securities.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange-rate risk.
- Foreign Market Risk: The securities markets of many foreign countries, including emerging countries, have substantially less trading volume than the securities markets of the United States, and securities of some foreign companies are less liquid and more volatile than securities of comparable United States companies. As a result, foreign securities markets may be subject to greater influence by adverse events generally affecting the market, by large investors' trading significant blocks of securities, or by large dispositions of securities, than as it is in the United States. Further, many foreign governments are less stable than that of the United States. There can be no assurance that any significant, sustained instability would not increase the risks of investing in the securities markets of certain countries. While PAG typically gains exposures to foreign markets through ETFs, funds, or similar pooled vehicles, rather than investing directly in foreign securities, the limited liquidity of some foreign markets may affect PAG's ability to acquire or dispose of securities at a price and time it believes is advisable. PAG may also obtain exposure to international markets through debt instruments with multi-national banks. These securities pose the risks associated with domestic fixed-income securities, as well as the risks posed by foreign securities.
- Counterparty Risk: This is the risk that the other party to a contract will not fulfill its contractual obligations. Clients investing in debt instruments and in structured products are typically exposed to greater counterparty risk than investors in liquid equities, for example.

- Leverage Risk: Although PAG does not typically employ leverage in the implementation of its investment strategies, leverage may be used for particular clients who have specific needs or more aggressive risk tolerance. More generally, some exchange-traded and closed-end funds, as well as some structured products, employ leverage. Leverage increases returns to investors if the investment strategy earns a greater return on leveraged investments than the strategy's cost of such leverage. However, the use of leverage exposes investors to additional levels of risk and loss that could be substantial.
- Manager Risk: Third-party investment advisers used by PAG who have been successful in the past may not be successful in the future, and they may deviate from their stated investment mandate or strategy. Because PAG does not control the third-party investment advisor, PAG may not be able to fully identify internal control weaknesses or fully evaluate the accuracy of representations made by such investment advisers when performing due diligence on them or relying on the due diligence provided by others. Furthermore, such investment advisers may have material conflicts of interest, including using affiliated advisers or products, or trading through an affiliated broker-dealer. Although clients receive disclosures about third-party managers, in light of PAG's discretionary authority to hire and fire these advisers, clients are largely dependent on PAG's ongoing assessment and monitoring. We do consider conflicts of interest carefully in selecting third-party managers and generally would not choose managers whose business practices pose material conflicts for our clients.
- Annuities: Where appropriate for clients, we may recommend low-cost annuities as part of a client's overall portfolio. We do not make any specific product recommendations, nor do we effect the purchase of such annuity products, and such recommendations are referred to an appropriately licensed third party. If applicable, we manage the underlying assets (held in sub-accounts) of such annuity investments, which are then subject to our advisory fees. Annuity sub-accounts are pooled investments similar to mutual funds; see discussion of mutual funds and ETFs for further information.
- ETF and Mutual Funds: When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds.
- Alternative Strategies: We may occasionally recommend mutual funds or ETFs that invest primarily in alternative investments and/or strategies. Investing in these products is not be suitable for all investors and involves special risks, such as those associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry.

Other alternative investments, such as structured products and REITs, leasing programs, and mutual funds or ETFs that utilize alternative investment strategies, expose clients to heightened levels of liquidity, credit, interest rate, and counterparty risks.

REITs and alternative funds are offered by prospectus, Private Placement Memorandum, or other offering materials provided by the issuer. PAG does not participate in the preparation of these materials and does not independently verify the issuer's representations.

Structured products are a type of investment designed to meet financial needs identified by PAG's Investment Committee. Structured products are issued by large financial institutions and involve customizing the product mix to adhere to specific risk tolerances and performance objectives. Structured products are often created by varying the amount of exposure to volatile investments and often include the use of derivatives. Performance terms and features are spelled out in advance; delivery on the performance is highly dependent on the solvency of the issuer. The products usually can be traded on the secondary market but there is limited demand and the sponsor is in most cases the only market maker. This means that selling prior to the maturity date may result in proceeds that are materially less than the original amount invested.

Unregistered securities are offered through a Private Placement Memorandum or other offering materials and related subscription materials. They are available only to accredited investors, as that term is defined in Regulation D of the Securities Act of 1933.

Alternative offering materials contain important information about the substantial risks of investing in these securities, as well as details concerning fees, compensation, and conflicts of interest. We urge clients to review these materials carefully and to discuss any questions or concerns with their Advisor.

Item 9 Disciplinary Information

PAG is required to disclose material legal or disciplinary events that involve the Firm or its "management persons," defined to include anyone with the power to exercise a "controlling influence."

A complaint filed by the Securities and Exchange Commission in March of 2016 alleged that Aequitas Holdings, LLC, and its affiliates (collectively, Aequitas or the Aequitas Affiliates) including three of Aequitas' top executives, defrauded investors. Certain securities issued by the Aequitas Affiliates are in default and the entities ceased accepting new investments in January 2016. Aequitas, through its affiliates, formerly held an indirect ownership in PAG.

Chris Bean, Doug Bean and Jon Bishopp ("PAG Managers"), who constitute PAG's management team, were, along with numerous other defendants, the subject of a class-action lawsuit related to Aequitas. They were named in their personal capacities because the Federal court had forbidden suits against PAG and the Aequitas Affiliates. The PAG Managers vehemently denied the allegations while working to ensure investors were protected. As part of a global class action settlement in late 2017, the PAG Managers arranged for the contribution of PAG's Errors & Omissions insurance coverage. PAG Managers did not admit any wrongdoing and did not contribute personally. The settlement also allowed the PAG Managers to regain majority ownership of PAG.

Additional information is available by visiting the SEC's website at:

<https://www.adviserinfo.sec.gov/IAPD/IAPDSearch.aspx> and searching on CRD number 4206985 (Chris Bean) or CRD number 4541916 (Doug Bean).

Item 10 Other Financial Industry Activities and Affiliations

Some employees and/or officers of PAG are also licensed as Insurance Producers with various unaffiliated insurance companies, including, but not limited to, Banner Life Insurance Company, ING USA Annuity and Life Insurance Company, Nationwide Life and Annuity Insurance Company, North American Company for Life and Health Insurance, Principal National Life Insurance Company, Protective Life Insurance Company, Pruco Life Insurance Company, Pacific Life Insurance Company, and The Lincoln National Life Insurance Company. When appropriate, these individuals offer insurance products and services to advisory clients and receive commissions that are in addition to any advisory fees charged by PAG. Clients are free to purchase insurance products recommended by PAG Advisors through insurance agents unaffiliated with us. Advisory clients should be aware that the receipt of additional compensation by our Advisors creates a conflict of interest that may impair the objectivity of the individuals making advisory recommendations on our behalf. These individuals have a financial incentive to recommend insurance products based on the compensation received, rather than the needs of the client or the quality of the product. We endeavor at all times to put the interests of its clients first as part of its fiduciary duty as an investment advisor. To help address these potential conflicts of interest, we attempt to fully and fairly disclose to clients the existence of all material conflicts of interest so that clients can make informed decisions regarding the management of their advisory client accounts, and to decide whether to implement our recommendations through an agent or broker unaffiliated with PAG.

Other Relationships

In addition to the insurance activities noted above, we have material relationships and/or arrangements with the following professionals, whom we routinely recommend to clients. Clients ultimately decide whether to engage the professionals PAG recommends.

- Carol Didier, CPA, of Summit Accounting in Fall City, Washington, an accounting firm that provides a full range of tax preparation, accounting and bookkeeping services.
- BDO LLP, a certified public accounting firm in Seattle, Washington, that services companies, high net worth individuals and nonprofit organizations.
- Tax Consultants of Washington, an accounting firm in Federal Way, Washington, that provides tax, business, and estate planning services.

- Proctor Company, an accounting firm in Bellevue, Washington, that provides tax, business, and financial planning services.
- Jennifer Beardall, CPA, who specializes in taxes and healthcare consulting.

PAG, in the sole discretion of the Advisor, may elect to contract with the persons and/or firms noted above, or with other professionals selected by the client, in order to provide estate planning, healthcare consulting, tax planning, tax preparation, and/or tax filing services to advisory clients who maintain more than \$1 million in assets with the Firm. PAG and the Advisor pay the fees for these services, including the provision of basic planning and tax preparation, which reduces the Advisor's share of advisory fees accordingly. These professionals may provide additional services directly to the client for additional fees not paid by PAG. Similarly, where PAG has not elected to pay these fees on the client's behalf, clients may elect (but are not obligated) to enter into agreements with the persons or firms we recommend. We have negotiated specific rates with the providers above, which may be lower or higher than fees charged by other professionals. Because the PAG Advisor ultimately bears the cost of these services, the Advisor has a financial incentive to recommend providers with the lowest fees to PAG clients, which creates a conflict of interest. The Firm mitigates this conflict by selecting providers based on their skill, capacity, and the quality of the working relationship, not on the basis of cost. In addition, the Firm endeavors to negotiate competitive rates with all referral partners.

On occasion, we may receive an unsolicited referral from one or more of the persons/firms noted above, but we do not consider such referrals to be material to our advisory business and do not factor any such referrals into its decision-making process when recommending the person or firm to provide services to any particular client.

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

PAG has adopted a Code of Ethics ("Code") which sets forth high ethical standards of business conduct that PAG requires of its employees and officers, including compliance with applicable federal securities laws. The Code is administered by PAG's Chief Compliance Officer (the "CCO"), Jon Bishopp, and includes policies and procedures for the review of quarterly personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by PAG's access persons. The Code also requires that access persons obtain pre-clearance from the CCO prior to acquiring interests in a limited offering (e.g., private placement) or an initial public offering. PAG's Code also includes oversight, enforcement and recordkeeping provisions and includes a policy that prohibits the use of material non-public information. A copy of PAG's Code is available upon

request to any client or prospective client. You may request a copy by emailing PAG's CCO at jbishopp@privateadvisory.com or calling him at 425-498-2320.

PAG, officers and employees of PAG, and/or related persons of PAG may buy or sell for their personal accounts securities identical to those recommended to advisory clients and may buy or sell them at or about the same time they are recommended to clients. This may create potential conflicts of interest because (1) those holdings may create an incentive for PAG and/or its officers and employees to not recommend the sale of those securities to clients in order to protect the value of their personal investment, and (2) PAG and/or its officers and employees may have an incentive to place their orders before those of clients in order to obtain a better price.

PAG's Code includes provisions to help address these conflicts of interest. First, the Code prohibits PAG and/or its access persons from purchasing or selling any security prior to a transaction being implemented for an advisory client account in the same security, thereby preventing PAG and its officers and employees from benefiting from transactions placed on behalf of advisory client accounts. Second, PAG may aggregate its or its officers and/or employee's personal securities transactions, where possible and when compliant with PAG's best execution obligations, with client transactions. All participants in an aggregated transaction (i.e., block trade) receive the average share price and generally share transaction costs on a pro-rata basis. In instances where a partial fill of the entire order occurs, PAG allocates the completed portion of the transaction on a pro-rata basis, with each account paying the average price. Any accounts belonging to PAG and/or its officers and employees that participated in a block trade will be included in the pro-rata allocation.

Item 12 Brokerage Practices

Selecting Broker Dealers

PAG recommends that clients use the brokerage and custodial account services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade," CRD No. 7870, SEC File No. 8-23395). PAG recommends Millennium Trust Company for holding non-standard assets, such as private placements. While PAG recommends the custodial and brokerage services of TD Ameritrade, clients are ultimately responsible for deciding where to open a custodial account. Clients are not under any obligation to select the custodian PAG recommends. However, PAG reserves the right to decline the acceptance of any client account where the client has selected a custodian other than TD Ameritrade or Millennium Trust if PAG believes that the choice would hinder its ability to fulfill its fiduciary duty to the client and/or its ability to service the account. PAG is not affiliated with or a related person of TD Ameritrade or Millennium Trust.

Clients sign separate agreements with the selected custodian that detail the compensation to be paid to those firms. PAG has negotiated rates across its client base with TD Ameritrade. Lower rates may be available through other advisors.

We evaluate whether asset-based pricing or transaction-based commissions are more appropriate for a given client in making its recommendation of custodian. Generally, accounts that trade more actively will benefit from asset-based pricing and accounts that trade infrequently will benefit from transaction-based commissions. The asset level in the account also enters into the assessment, with larger accounts often receiving discounts from the custodians.

TD Ameritrade, along with other major custodians, reduced most transaction charges to zero. All custodians typically assess other fees and charges, in addition to the traditional transaction-based charges they previously assessed, for services such as wire fees, retirement plan maintenance fees, transfer and termination fees, etc. They also earn money through cash management functions and service fees on mutual funds and other products. PAG will continue to monitor the overall charges assessed to identify how the reduction in transaction charges affects other charges that may be less transparent to clients.

When clients open an account with a custodian that is also a broker-dealer, and no prime brokerage arrangement exists, we place all orders with the custodial broker-dealer for execution, rather than make trade-by-trade routing decisions.

When clients select a custodial broker-dealer other than the one we recommend, PAG will not have the authority to negotiate commissions on their behalf or to obtain volume discounts and may not be able to obtain best execution for the client. We have evaluated the broker-dealer/custodian we recommend and believe that TD Ameritrade generally provides clients with best execution on an overall basis. The factors we consider in evaluating the brokers we recommend include our experience with the firm, its reputation, the quality of execution services provided to our clients over time, and the commissions or asset-based fees charged to our clients, among other factors.

While we have a reasonable belief that TD Ameritrade is able to obtain best execution for clients, we do not seek price improvement through other broker-dealers on an individual transaction basis. Placing orders with a broker-dealer other than the custodial broker-dealer may cause the client to incur fees for trading away. We try to aggregate client trades, where we believe doing so will reduce overall costs to clients. See *Aggregation of Orders*, below, for more information.

Millennium Trust provides custodial services for non-standard assets, such as private placements and IRA rollover accounts. Their experience and knowledge in this space complements traditional brokerage services.

Soft Dollars

PAG does not have any formal soft dollar arrangements. However, TD Ameritrade may make available to us other products and services that benefit PAG but may not directly benefit clients. These products and services assist us in managing and administering client accounts,

and can include investment research, both proprietary and that of third parties. We use this research to service all or a substantial number of client accounts, including some accounts that use other custodians. In addition to investment research, the custodian we recommend also makes available software and other technology that:

- Helps us construct, manage, and re-balance client accounts in accordance with our model portfolios;
- Provides access to client account data (such as duplicate trade confirmations and account statements);
- Provides pricing and other market data;
- Facilitates payment of our advisory fees from clients' accounts; and
- Assists with back-office functions, recordkeeping, and client reporting.

TD Ameritrade also offers other services to PAG that are intended to help us manage and further develop our business enterprise and that generally benefit only PAG. These services include:

- Educational conferences and events;
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession; and

The availability of these services from TD Ameritrade is not contingent on any commitment on our part with respect to brokerage commissions, loads, or transactions fees. The receipt of these services benefits PAG, because we do not have to produce or purchase them. A conflict of interest arises if we recommend TD Ameritrade to clients based on our interest in receiving these benefits rather than based on clients' interests in receiving the best value in custody services and/or the most favorable transaction execution. When recommending custodial broker-dealers to clients, however, we do so based on the scope, quality and pricing of the broker-dealer's services independent of any benefits PAG may receive.

Brokerage for Client Referrals

It is our policy not to select for or recommend to clients any broker-dealer for custodial or execution services based on PAG's or a related person of PAG's receipt of client referrals from a broker-dealer or other third party.

PAG executed an agreement with TD Ameritrade that assumed referral terms previously agreed to by Strategic Capital Group (the previous advisor for some PAG clients). Under this agreement if TD Ameritrade referred a client to Strategic Capital Group, TD Ameritrade would receive either 15% or 25% of the management fees collected by Strategic Capital Group pursuant to its advisory agreement with the client. PAG has not itself received any referrals from TD Ameritrade but is obligated to continue to honor this arrangement. Should PAG terminate its relationship with TD Ameritrade, PAG would be obligated to pay a penalty to TD Ameritrade. This creates a conflict of interest to the extent PAG has a financial interest to remain at TD Ameritrade even if the relationship is not necessarily the best choice for

clients. This arrangement, and the related conflict, applies only to clients referred to Strategic Capital Group by TD Ameritrade prior to July of 2014 and does not affect any PAG clients who were not previously clients of Strategic Capital Group.

We routinely review the quality of services and overall value of the custodians we recommend, as well as any related conflicts of interest, and document the basis for our ongoing custodial relationships. We believe this effectively mitigates any conflict of interest.

Directed Brokerage

We do not generally permit our clients to direct brokerage outside of our recommended custodians. This means that while the client is ultimately responsible for selecting and/or approving the account custodian, PAG will not execute orders based on trade-by-trade instructions from the client. In most cases, we execute orders through the facilities of the selected custodian.

Because we recommend a specific custodian and then execute your investment transactions on a discretionary basis, typically through that custodian, we are effectively requiring that you “direct” your brokerage to TD Ameritrade, absent other specific instructions as discussed below. Because we are not choosing brokers on a trade-by-trade basis, we may not be able to achieve the most favorable executions for clients and this may ultimately cost clients more money. Not all investment advisers require directed brokerage.

Aggregation of Orders

When it is advantageous to clients and can be accomplished efficiently, we may aggregate orders for a security for the accounts of multiple clients into a single transaction, often referred to as a “block” or “bunched” trade. In a block trade, each participating client receives a price that represents the average of the prices at which we executed all the transactions in that block. Our purpose with a block trade is to lower transaction costs and/or help clients achieve better execution. Accounts participating in a block trade share transactions costs on an equal and pro rata basis, unless a participating client has an agreement with the broker-dealer that specifically dictates the brokerage commissions and/or transaction fees that the client must pay. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner. We will only aggregate orders and allocate trades among clients whose accounts are held in custody at the same broker-dealer and generally those clients managed by the same portfolio manager/investment advisor representative.

We are not obligated to include any client account in a block trade. No client participating in a block trade will be favored over any other client that also participates in the same block trade.

Cross Transactions

We occasionally complete cross transactions on behalf of clients. This occurs when selling a security from the account of one client and buying it in the account of another without entering an open-market transaction. We will process cross transactions when the firm decides the accounts involved would likely receive better overall execution through a cross. This occurs most frequently with thinly-traded or limited-market securities and is generally initiated because one client needs to liquidate an investment we are not currently recommending for sale and another client wishes to purchase that security. Cross transactions may also occur in response to period portfolio rebalancing portfolios. In these cases, we may determine that one client has become over-weighted in a particular security or asset class, while another client is under-weighted. If the security is relatively illiquid, a cross transaction is often the most cost-effective method of completing the re-balance.

Item 13 Review of Accounts

Account Reviews

Advisors monitor their assigned client's account on a continuous basis, especially with respect to model portfolio tolerances and current issues in the markets. Formal reviews of client accounts are generally performed quarterly, and at least annually, to ensure that accounts appear to be managed in accordance with the client's stated investment objectives and guidelines. We provide clients with opportunities to update their objectives, financial situation, and reasonable restrictions related to the management of their assets as part of these reviews.

More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Accounts are reviewed by:

Douglas R. Bean
S Christopher Bean
Eric C. Penz

Regular Reports

In addition to monthly account statements and transaction confirmations that clients receive from their account custodians, clients have access to online aggregation and planning software.

Advisors may also provide clients with access to a planning system used for producing net worth statements, tax return (if the client relationship includes tax preparation services), cash flow planning, and other information. Net worth statements contain approximations of

bank account balances provided by the client as well as the value of land and hard-to-price real estate holdings of the client.

Online statements and reports are not intended to replace the monthly or quarterly statements provided by the qualified account custodian holding client assets. We urge clients to compare the online data carefully to the statements provided by the qualified custodian and to notify us promptly of any errors or discrepancies.

Item 14 Client Referrals and Other Compensation

Other Compensation

We receive certain economic benefits from TD Ameritrade described above in Item 12, Brokerage Practices. Our receipt of such products and services creates a conflict of interest, because we have an incentive to recommend TD Ameritrade over others who do not provide products and services to us.

We occasionally attend conferences and events put on by financial services companies and product sponsors. These typically provide industry-related educational content and discussion while also promoting products or investment opportunities of the sponsors. Sponsors hope we will use their products with clients. Accepting travel, lodging, meals, entertainment, and participating in informational sessions from these sponsors could create a conflict of interest in that we have an incentive to recommend the products to continue to receive the sponsor's benefits, but we have not found that to be a problem. The events our Advisors attend do not provide lavish entertainment or accommodations and we do not repeatedly attend events from a single sponsor.

Referrals

Please see Brokerage for Client Referrals in Item 12, above, for information about payments made to TD Ameritrade. PAG has not itself received any referrals from TDA but is obligated to continue to honor this arrangement.

As described in Item 10, Other Financial Industry Relationships and Affiliations, we do have material relationships with other professionals (e.g., attorneys and accountants) whom we pay in certain circumstances for services provided to PAG clients. On occasion, we may receive an unsolicited referral from one or more of the persons or firms noted above, but we do not consider such referrals material to our advisory business and we don't factor any such referrals into our decision-making process when recommending a service provider to any client. In a small number of instances, PAG has agreed to continue to pay referral fees to an advisor related to a CPA firm acquired by Peterson Sullivan. These payments are for referrals

made historically to Bean Financial, the advisor that previously provided services to many of PAG's clients. These payments do not relate to a current referral arrangement with PAG.

Purchase of Other Advisors' Practices

In the regular course of its business, PAG may have an opportunity to acquire advisory practices from firms or individuals who are retiring or otherwise leaving the business. If this occurs, PAG will generally enter into an agreement to pay the former advisory firm or individual a fee based on the referral of clients to PAG and those clients' subsequent decision to become clients of PAG. Clients affected by any such agreement will receive specific disclosures concerning the arrangement.

Item 15 Custody

Clients' funds and securities are held with qualified custodians, who send monthly or quarterly account statements directly to clients. Clients should carefully review those statements. Additionally, as noted above, clients have access to online reports and are urged to compare the information from those reports with the information contained within statements received from their accounts' custodians. In some cases, clients hold shares of private investments themselves and PAG lists these securities in online reports and billing statements; because these securities are held by the client and not by any custodian, they do not appear on statements from the qualified custodian. Clients take responsibility for recordkeeping and secure maintenance of these securities.

Item 16 Investment Discretion

We have the discretionary authority, pursuant to our written investment management agreements with clients, to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of the securities to be bought or sold. We also have discretionary authority to select, remove and replace third-party managers, or to reallocate investments among managers or strategies, if PAG determines that doing so is in the best interest of the client. Clients may change/amend such authority by providing us with revised instructions in writing.

Item 17 Voting Client Securities

Our Advisory Services Agreement specifies that PAG will vote proxies for all client accounts, provided the client has completed the appropriate forms provided by the custodian that authorize PAG to receive proxies. Clients always have the right to vote proxies on their own behalf. Clients can exercise this right by instructing PAG in writing not to vote proxies for securities in their account or by noting this election in the Advisory Services Agreement.

We have engaged a third party, Egan-Jones Proxy Services (“Egan-Jones”), to assist with the analysis and voting of proxy ballots and related recordkeeping. Egan-Jones provides independent assessment and recommendations regarding all proxy items for securities held in accounts we manage directly. We have adopted written policies and procedures regarding the voting of proxies. These policies and procedures are designed to ensure that we fulfill our fiduciary obligation to you in connection with proxy voting and that we vote them in clients’ best interests. This includes ongoing review and assessment of our third party proxy voting service provider for conflicts of interest, their research and analysis, and that voting continues to be in accordance with their guidelines and in the best interests of shareholders. Egan-Jones publishes their complete proxy voting guidelines each year, which we will provide to clients upon request.

If we have a conflict of interest in voting a particular action, we will notify the client of the conflict and possibly refrain from voting the shares, although we believe that by engaging an independent third party we lessen the chance of conflicts arising. Clients may obtain a copy of our complete proxy voting policies and procedures, proxy voting guidelines, and/or request information on how we voted their proxies by calling our home office at 425-498-2320.

Item 18 Financial Information

We have not been the subject of a bankruptcy petition since its inception and we are not currently subject to any financial condition that is reasonably likely to impair the Firm’s ability to meet its contractual commitments to clients.