

Part 2A of Form ADV: Firm Brochure



Pittenger & Anderson, Inc.  
5533 S 27th Street  
Suite 201  
Lincoln, NE 68512  
Telephone: 402-328-8800  
Email: [pitt@pittand.com](mailto:pitt@pittand.com)  
Web Address: [www.pittand.com](http://www.pittand.com)

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This brochure provides information about the qualifications and business practices of Pittenger & Anderson, Inc. If you have any questions about the contents of this brochure, please contact us at 402-328-8800 or [pitt@pittand.com](mailto:pitt@pittand.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Pittenger & Anderson, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 111033.

Pittenger & Anderson, Inc. is a registered investment advisor with the SEC. Registration with the SEC does not in any way constitute an endorsement by the SEC of an investment advisor's expertise. Further, registration does not imply or guarantee that a registered investment advisor has achieved a certain level of skill, expertise, or training in providing advisory services to its clients.

**Item 2    Material Changes**

As of 01/01/2022, Pittenger & Anderson will charge a flat fee of \$2,000, an increase from \$1,000, for any Financial Planning non-investment relationships. Please see page 12 for more information.

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#### **Item 4    Advisory Business**

Pittenger & Anderson, Inc. (herein referred to as P&A in this document) is a SEC-registered investment adviser with its principal place of business located in Lincoln, Nebraska. Pittenger & Anderson, Inc. began conducting business in 1995. P&A is a Registered Investment Advisor offering investment management services as well as financial planning. Registered Investment Advisors are regulated under the Investment Advisers Act of 1940 and are governed by the Securities and Exchange Commission (SEC). P&A is held to the fiduciary standard of care, which requires us to act in our Clients' best interests at all times. Our business model is fee-only and fully transparent. We are not compensated through commissions, sales charges, 12b-1 fees, management fees, or revenue sharing. Managing investment portfolios and providing unbiased advice is the largest part of our business. Clients hire us with an assortment of goals and objectives. Risk tolerances are personal and have to be reflected in each asset allocation. Therefore, we manage for client results first and performance second.

Listed below are the firm's principal shareholders (i.e. those individuals and/or entities controlling 25% or more of this company):

- James Skaggs Pittenger, Jr., Chairman/CEO
- Daniel Lynn Anderson, President

Jim and Dan both began their careers at bank investment departments, where they were responsible for government and municipal bond trading, underwriting and institutional sales. Their duties expanded to include equities, corporate bonds, and mutual funds at Dean Witter. The investment strategies employed by P&A are an extension of the lessons schooled by the banks and the brokerage industry. The two principals have been friends since 1975.

Pittenger & Anderson, Inc. offers the following advisory services to our clients:

#### **Individual Portfolio Management**

P&A provides continuous advice to clients regarding the investment of funds based on individual needs. These accounts are individual, joint, IRAs, trusts, partnerships, corporations, etc. The kinds of accounts necessary to run family assets, businesses and public monies. As compensation for these services each portfolio is charged an Individual Portfolio Management Fee (IPMF) based on assets under management. All portfolio styles have their own set of virtues but are subject to differential pricing as described in item 5. P&A makes every effort to minimize conflicts of interest created by these price differences. It is our policy to be completely transparent and forth coming. We encourage all clients to vet these situations thoroughly and familiarize themselves with style differences. To that end P&A will offer unbiased counsel. All clients have their own set of priorities, cost is not always number one.

Our contract provides a basic investment policy statement for each client which is continuously amended and updated using our CRM software. Each client relationship is cultivated through a data-gathering process that identifies and updates goals, objectives, time horizons, risk tolerance and liquidity requirements. As appropriate, we review and discuss a client's prior investment history, as well as family composition and background. This process never stops.

All of our client accounts are structured using a core and satellite format. The equity portion of each account is constructed using large cap stocks and funds which tend to be more passive than the satellite holdings. The equity satellite stocks and funds are more esoteric and address market sectors that are a bit more difficult to gain exposure to: mid cap, small cap, foreign, alternative assets, etc. The fixed income portion of our accounts follow a similar structure with the core holdings consisting of fairly passive investment grade bonds. The fixed income satellites are again, more esoteric: high yield, foreign, mortgage-backed, etc. As both equity and fixed income portfolios grow, the satellites can acquire satellites of their own. Our core and satellite structure is indigenous and the product of parallel discovery. The P&A investment management and financial planning contract allows us to address all of our account responsibilities with full discretion. P&A does not manage real estate, collectables or natural resources.

#### **Stock and bond portfolio management:**

- Custom Equity: The most aggressive, personalized and client centric of our management styles, Custom Equity portfolios emphasize growth, but don't avoid income.....100% equity/0% fixed. These portfolios are dominated by common stocks with market caps of \$4 billion or greater and by design generate more volatility than our mutual fund and ETF styles. To achieve portfolio completion, risk management, reduce concentration risks or address esoteric sectors, we will employ mutual funds or ETFs. Fixed income investments will appear in these accounts at the discretion of the investment committee. These accounts are subject to our Equity & Balanced Account IPMF schedule.
- Fixed Income: The most conservative of our management styles, Fixed Income portfolios emphasize income and preservation of principal....0% equity/100% fixed. All securities employed are investment grade or equivalent in the eyes of the principals. Again, mutual funds may be employed. Our client's tax profile dictates the use of taxable or tax-free bonds. These portfolios are generally constructed with laddered maturities, but may employ a dumbbell structure as their size increases. Fixed income accounts are subject to our Equity & Balanced account IPMF schedule.
- Balanced: Our most popular style, Balanced Accounts are a combination of our Custom Equity accounts and Fixed Income portfolios....client % equity/client % fixed. The aggressiveness of these accounts is determined by an asset allocation tailored to each client. Taxable or tax-free bonds are used depending on the client's specific tax profile. These accounts are subject to our Equity & Balanced account IPMF schedule.

**Mutual fund portfolio management:**

The advent of self-directed retirement accounts has spawned a generation of investors who have learned to trust and prefer mutual funds as an investment vehicle. This asset class has an appeal to smaller accounts, rapidly growing accounts, accounts seeking passive management, accounts seeking diversification by management style and those investors seeking to extend their money management skills learned as 401k participants. Accounts with at least 75% of their equity assets invested in mutual funds are eligible for the Mutual Funds/ETF IPMF schedule.

P&A offers two different styles of model portfolio management which are further broken down by size and asset allocation. Our model portfolios combine state-of-the-art technology with a hands on approach that allows our clients to fulfill their investment needs using the mutual funds and ETFs they have learned to trust. The “Fireball” model offers no load mutual fund exposure while “Cannonball” portfolios are comprised of exchange traded funds (ETFs.) Both employ licensed software products that allow our investment committee to build and continually rebalance economical and scalable portfolios.

Although all “Fireball” and “Cannonball” portfolios are reviewed and rebalanced no less than semi-annually, one of the strongest attributes of these models is their ability to accept contributions and generate distributions of any size and frequency on demand....while being rebalanced at every event, maintaining P&A pro forma.

- 100% Equity, \$1,000-\$50,000: Generally contains a blend of domestic large-cap, mid-cap, small-cap and foreign mutual funds and/or ETFs.
- 100% Equity, \$50,000+: Generally contains a blend of domestic large-cap, mid-cap, small cap, foreign and specialty mutual funds and/or ETFs.
- 75% Equity/25% Fixed, \$1,000-\$67,000: Generally contains a blend of domestic large-cap, mid-cap, small-cap, foreign and fixed income mutual funds and/or ETFs. May contain government, corporate, municipal bonds, preferred stock, certificates of deposit, cash or cash equivalencies.
- 75% Equity/25% Fixed, \$67,000+: Generally contains a blend of domestic large-cap, mid-cap, small-cap, foreign, specialty, and fixed income mutual funds and/or ETFs. May contain government, corporate, municipal bonds, preferred stock, certificates of deposit, cash or cash equivalencies.
- 60% Equity/40% Fixed, \$1,000-\$83,000: Generally contains a blend of domestic large-cap, mid-cap, small-cap, foreign, and fixed income mutual funds and/or ETFs. May contain government, corporate, municipal bonds, preferred stock, certificates of deposit, cash or cash equivalencies.

- 60% Equity/40% Fixed, \$83,000+: Generally contains a blend of domestic large-cap, mid-cap, small-cap, foreign, specialty, and fixed income mutual funds and/or ETFs. May contain government, corporate, municipal bonds, preferred stock, certificates of deposit, cash or cash equivalencies.

Diversification in these accounts is achieved by using P&A researched mutual funds and/or ETFs. It is common for research vendors in our industry to disagree on the classification of growth, value and balanced funds. We have learned to be content with our own opinions. Bandwidths on these types of accounts may differ per Client request.

### **Qualified Plans**

P&A is in the business of managing qualified plans. These accounts are very esoteric and require expertise as well as ancillary services in order to fulfill their roles as described in Section 401(a) of the tax code. To that end, it is common for P&A to partner with Third-Party Plan Administrators (TPAs), such as The Standard, who are hired by the plan sponsors (typically employers) to provide for many of the plan's day-to-day responsibilities. These functions include but are not limited to, preparation of benefit statements, processing distributions, testing for non-discrimination compliance, monitoring participant contribution limits, allocating employer contributions, forfeitures and calculating vesting. TPAs also provide administrative services, including notices and enrollment materials and can be engaged to assume the plans' ERISA 3(16) Delegated Administrative Fiduciary Services. All TPA fees are paid by and disclosed to the plan.

When acting as investment manager to the plan, P&A provides TPA, actuarial and accounting collaboration, meetings with company owners, education sessions, counsel on core fund line up and monitoring. For these services and others negotiated P&A is paid a level percentage Qualified Plan Management Fee (QPMF.) When hired as an independent portfolio manager by any of the participants, the QPMF is integrated with the appropriate P&A management fee schedule.

### **Donor Advised Funds**

P&A is in the business of managing the assets of certain Donor Advised Funds (DAF.) The qualifications of the manager and the minimum size of the accounts is determined and monitored by the DAF custodian, currently Schwab and Fidelity. When hired as an independent portfolio manager by a DAF participant, the assets are managed to client asset allocations and subject to the Mutual Fund/ ETF fee schedule, in addition to the custodian's fee.

### **Charities, Foundations and Public Funds**

P&A uses the techniques and tools described in Individual Portfolio Management to build portfolios for this category of client. Charities and foundations are rarely homogeneous and tend to have health related, scientific, educational, cultural, social, or other charitable purposes. Most hold 501c 3 tax exemptions and are managed by appointed or elected boards with a specific mission statement. The public funds category is typified by reserve funds, surplus accounts and defined

purpose assets owned by political subdivisions. Examples include but are not limited to cemeteries, fire protection districts, natural resource districts, etc. Once again, these are tax exempt entities.

All 3 of these entities typically solicit portfolio managers using a Request for Proposal format (RFP.) P&A is asked to submit proposals like this from time to time. Most typically after being referred by a client, board member or board members of other entities where we are currently employed. These accounts are not full service, they do not expect financial planning, philanthropic council, educational planning, lending council, etc. Tenure with these accounts is often mitigated by a reoccurring RFP cycle, most often 5 years. P&A generally considers servicing accounts in this category to be a method of “giving back” .... serving the public good.

## **FINANCIAL PLANNING**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients requesting this service receive a written report which provides the client with a detailed financial plan designed to assist the client to achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas: Retirement Planning, Investment Planning, Insurance Consulting, Education Planning, and Estate Planning. However, there may be instances where matters are beyond the scope of P&A's area of expertise. P&A reserves the right to decline to provide advice to Client about issues and topics outside its area of expertise. At Client's request, P&A may provide recommendations to Client as to other sources of professional advice to address such matters.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically the financial plan is presented to the client within a month of the engagement date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.



### **General Information Regarding Our Advisory Business**

Through personal discussions with the client, financial goals and objectives are established. These interviews along with the IPS in our contract are used to determine a suitable management style to recommend for the client's circumstances. P&A allows clients the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

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

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Other - P&A may offer advice on other investments such as mortgage-backed securities, unit investment trusts or investments offered by insurance companies. We will from time to time use indexed derivatives and tracking stocks.
- Interests in partnerships investing in illiquids - This reference allows us the flexibility of counseling on the advisability of maintaining or liquidating assets not easily converted to cash. P&A's advice would be appropriate for client goals and objectives given our knowledge, portfolio management expertise and financial planning experience. We generally do not recommend initiating positions in these types of securities.

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

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. be guided by the Client's Investment Policy Statement that is accepted and signed by both Pittenger & Anderson, Inc. and the Client. P&A is granted full discretion when managing investment accounts. We will adjust asset allocations within the +/- 10% asset allocation variance described in our contract, based on known and projected changes in risk tolerance as well as goals and objectives. These events will be discussed directly with the client or by written portfolio reviews, based on client preferences. P&A often uses a negative response format to expedite the flow of information. Clients will be responsible for reviewing any changes for correctness and have agreed by contract that communication is a shared responsibility. Periodic reports will also provide updates to our current investment management styles.
2. at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
3. be reasonably available to consult with the client; and
4. maintain client suitability information in each client's file.

#### **AMOUNT OF MANAGED ASSETS**

As of 11/30/2021, we were actively managing \$2,423,729,077 of client assets on a discretionary basis.

## Item 5 Fees and Compensation

### Individual Portfolio Management Fees

Assets under Management	Annual Fee
<b>Equity and Balance Account Fee Schedule (EBAF)</b>	

\$0 - \$1,000,000	1.000%
\$1,000,001 - \$2,500,000	0.900%
\$2,500,001 - \$5,000,000	0.825%
\$5,000,001 - \$10,000,000	0.750%
\$10,000,001 - \$25,000,000	0.625%
\$25,000,001 - \$50,000,000	0.500%
\$50,000,001 and higher	0.375%

A minimum account size of \$500,000 is recommended for EBAF accounts, negotiable under certain circumstances. Our ideal relationship size for these accounts is \$500,000 and higher.

### Mutual Funds/ETF Fee Schedule (MF/EF)

\$0 - \$10,000,000	0.750%
\$10,000,001 - \$25,000,000	0.625%
\$25,000,001 - \$50,000,000	0.500%
\$50,000,001 and higher	0.375%

A minimum account size of \$100,000 is recommended for MF/EF accounts, negotiable under certain circumstances. Our ideal relationship size is \$250,000 for this category. Accounts of \$20,000 and smaller are typically transferred to a retail custodian after being established and reviewed on client request.

### DoL Fiduciary Rule ERISA, IRA and Roth IRA Fee Schedule (DoL)

\$0 - \$10,000,000	0.750%
\$10,000,001 - \$25,000,000	0.625%
\$25,000,001 - \$50,000,000	0.500%
\$50,000,001 and higher	0.375%

Effective 6/09/17, P&A will charge the DoL Fee Schedule, regardless of size and management style, on all accounts regulated by the Department of Labor Fiduciary standards. P&A expects continued change in this section of the regulatory landscape and anticipates full compliance. We have held ourselves to a fiduciary standard since inception. Our ideal relationship size for these accounts is \$250,000 and higher. Accounts of \$20,000 and smaller are typically transferred to a retail custodian after being established and reviewed on client request.

### **Qualified Plan Management Fee Schedule Example (QPMF)**

\$0 - \$10,000,000	0.20%
\$10,000,001 - \$20,000,000	0.15%
\$20,000,000 and higher	Negotiable

The table above describes an example of our QPMF schedule used when P&A partners with The Standard as TPA. This fee is negotiated for each plan and charged on total plan assets. It compensates the providers for TPA services and fundamental account management when using the core fund line up or guided portfolio choices. Participants with larger portfolios seeking more sophisticated management may be allowed by their plan to hire an outside manager such as P&A. Those clients using P&A will be charged the IPMF rate appropriate to the investment style agreed upon. The QPMF fee will be integrated with the IPMF (EBAF or MF/EF – QPMF = integrated rate, i.e.  $0.75\% - 0.20\% = 0.55\%$ ).

A relationship like this is complex and can create conflicts of interest. Serving as an outside manager, P&A would receive an IPMF in addition to the QPMF. P&A will do its due diligence when advising a participant on the advisability of entering a relationship like this and disclose all forms of payment received. P&A would not be paid IPMF fee if the participant stayed inside the core funds or guided portfolios offered.

### **Donor Advised Funds**

When hired as an independent portfolio manager by a DAF participant, the assets are managed in one of the P&A investment management styles, using client asset allocation preferences. These accounts are subject to the MF/EF, in addition to the custodian's fee. The minimum for these accounts is set by the custodians, generally \$250,000.

### **Charitable Foundations and Public Funds**

P&A is generally hired to manage this type of money in response to an RFP, through which all fees are disclosed. Starting with the appropriate EBAF or MF/EF, P&A will negotiate an appropriate fee based on account size and services deemed unnecessary by the owner, these accounts generally offer a stripped down service profile. Anticipating a 5 year RFP cycle, P&A generally considers managing these accounts to fall into the category of "giving back" .... serving the public good. Our ideal client profile for these accounts is \$250,000 and higher.

### **Financial Planning**

P&A's Financial Planning fee is a flat rate of \$2,000 for non-investment relationships. The same service is available as a complimentary service included with management fee for existing clients. Half the flat rate payment is due upon entering the contract; the balance is due when the final plan is delivered to the Client. If the client terminates the Financial Plan agreement within 5 days of the

signing date, P&A will grant a full refund. P&A reserves the right to waive or modify the financial planning fee at any time.

### **General Information Regarding Management Fees**

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter, typically on 3/31, 6/30, 9/30 and 12/31. The quarterly fee is calculated by multiplying the Client's assets under management by the applicable annual rate, and then divided by four. The result is the Client's fee. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement. Securities not priced by custodians will be valued in a manner determined in good faith by P&A to reflect fair market value. All Clients are notified by mail or email when their accounts are charged. P&A has agreed to bill designated accounts for fees generated by related accounts of the same ownership at the request of the Client.

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

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

### **Additional General Information**

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund Fees:** All fees paid to Pittenger & Anderson, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition

and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

P&A invests Client dollars in money market funds, no-load mutual funds or load funds that allow investment advisors to buy their shares at net asset value. These mutual funds are used to fulfill specific requests such as investment style, security type, foreign currency exposure and investment objective. Diversification for smaller accounts may also necessitate the use of a mutual fund instead of individual securities. Mutual funds charge their shareholders management fees, 12B-1 fees, legal fees, postage expense, custodial fees and accounting fees to name a few. P&A does not participate in any of these fees. When mutual funds are used, the Clients of P&A pay both Pittenger & Anderson, Inc.'s management fee and the fees imposed by the mutual fund company. Clients pay all commissions and fees charged by any broker, dealer or custodian.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to Pittenger & Anderson, Inc.'s minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** Pittenger & Anderson, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Pittenger & Anderson, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Pittenger & Anderson, Inc.'s advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees. Custom Equity, Fixed Income and Balanced Account Clients may aggregate immediate family accounts to qualify for break points. Mutual Fund Clients may aggregate immediate family accounts to qualify for break points. Any aggregation of accounts broader than immediate family must be approved and defined by Pittenger & Anderson, Inc. We reserve the right to adjust our fees, minimum account size and charges at any time.

Pittenger & Anderson, Inc. has in the past and will continue in the future to negotiate fees based on the complexity of accounts, assets under management, custodial relationships and Client location. These negotiated rates will not result in Custom Equity and Balanced fees greater than 1.500%, nor lower than .375%. Negotiated Mutual Fund and Managed Account fees will not be greater than 1.25%, nor lower than .375%. As negotiated, certain assets such as previously owned bonds, restricted securities, short term assets of designated purposes and long term equity holdings may be exempt from the management fee as specified in each Client's Investment Advisory Contract. P&A is willing to accept restrictions through Client investment policy statements on the selection or sale of specific securities. P&A reserves the right to waive management fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

### **Managing Conflicts of Interest**

P&A has an economic incentive to add to assets under management. We also have an obligation to put our client's best interests first, a philosophy that has always served our long term interests well. This may entail vetting cheaper alternatives while it might also require us to explore and explain more expensive solutions. These many issues include but are not limited to retirement plan rollovers, changes in asset allocations, bond and annuity redemptions, consideration of a charitable remainder unit trust, margin lending in lieu of liquidating investments and consideration of alternative assets or collectables. In an event where a client would consider using the custodian's margin lending privileges to pay an expenditure, the asset value of the account would be inflated due to cash management being an asset class inside of the account. P&A charges a management fee on all cash balances unless a specific arrangement has been made. To mitigate this conflict of interest, P&A will discuss all options with the client. Items to consider will include impact of realizing capital gains, loan rate, anticipated length of loan, other borrowing avenues available, and any other detail that would be specific to the situation. We charge a fee for the management of other people's money and must be ever cognizant of who owns that money. When conflicts of interest arise, the client is advised of the situation. If the client is uncomfortable, it is our job is to provide the resources necessary to allow them to evaluate our relationship. When the client remains stymied, we may be asked to make recommendations. Those scenarios are approached like every client encounter, emphasizing complete disclosure and transparency. All clients have their own set of priorities, cost is not always number one.

P&A has adopted policies and procedures that mitigate the conflicts inherent in offering advice that delivers us any economic benefits:

- 1) P&A holds itself to a fiduciary standard by contract and ADV. Client interests always come first.
- 2) We use traditional stocks and bonds whenever possible, eliminating all buy and sell expenses with the exception of extremely low commissions charged by lot. All mutual funds as defined and regulated by the investment company act of 1940 and are not subject to sales loads or deferred sales charges unless mandated by the SEC. Searching for modest expense ratios is one of the primary sorts used to determine eligibility for our portfolios.

- 3) Full transparency regarding expenses, performance, volatility and liquidity.
- 4) Complete disclosure regarding the advisability of transferring or rolling over a retirement account in compliance with Department of Labor laws. Clients are asked to sign and initial a comprehensive document that grows dynamically with the number of accounts involved. P&A holds itself to the same ethical standards described by the P&A, CFP® and CFA codes of conduct.
- 5) We “eat our own cooking.” Doing so adopts a protective attitude regarding our client’s best interests. We often ask ourselves “What are we doing for the client?” Would the client be better served with “Nothing done?” These practices have become a P&A fail-safe that improves portfolio decisions and exposes conflicts of interest. Some P&A employees and officers use their personal accounts to invest in securities not included in client profiles due to a personal interest or curiosity. These transactions are supervised and may eventually be considered by the research committee



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

Pittenger & Anderson, Inc. does not charge performance-based fees and does not offer side by side management.

**Item 7** Types of Clients

Pittenger & Anderson, Inc. provides advisory services to the following types of clients including, but not limited to:

Individuals (other than high net worth individuals)

High net worth individuals

Trusts

Foundations, Endowments and Other Charitable organizations

Corporations or other businesses not listed above

Other - P&A provides investment advice to Limited Liability Companies, which are a hybrid of corporate structure and a limited company, where by investor liability is limited to an investor's original investment.

As previously disclosed in Item 5, our firm has established certain initial minimum account recommendations, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **Methods of Equity Analysis**

P&A employs an Investment Committee (item 13) composed of the Chairman/CEO, President, Vice Presidents/Principals and all Investment Officers. Our portfolio decisions are investment policy driven while core and satellite structured. The Investment Committee has manifold duties. Quarterly reviews focus on performance, client contact, asset allocation, position weights, harvesting gains, realizing losses and freshening ideas. During the review process the committee exchanges ideas, cross-checks procedures, and hones opinions. The same committee sits for a monthly marketing as well as a monthly research meeting. The Chairman/CEO and President both have Investment Committee veto power.

We use the following methods of analysis in formulating our investment advice and/or managing client assets. The management of P&A accounts is investment policy driven while core and satellite structured:

- **Fundamental Analysis.** The P&A stock selection process monitors a variety of financial metrics, most of which are bottoms up; price/sales, dividend growth, Gross margin vs net margin, debt/equity, price/earnings, etc. Each industry group demands its own valuation technique. P&A looks for best of breed products, barriers to entry, seasoned management and financial statements that can take a direct hit. The investment committee meets in its research capacity with every review session and in a separate monthly meeting.

The underlying securities in all equity mutual funds must meet the same criterion as the individual securities P&A purchases, or employ esoteric investment styles not easily addressed by individual securities (small cap, emerging markets, alternative assets etc.). Mutual funds are expected to display a track record that validates the fund manager's ability to add value. Fundamental analysis is most vulnerable to human error.

- **Technical Analysis.** P&A uses established disciplines to analyze market patterns. Our technical efforts focus on the general direction of the equity markets as opposed to the behavior of individual stocks. Historic performance does not guarantee future success.
- **Quantitative Analysis.** We use our quant work to complement our fundamental analysis. This approach starts with a large universe of stocks and systematically reduces it by passing each security through a series of filters. Metrics typically employed include but are not limited to; positive earnings, dividends, price to sales, price and relative strength. When our attention is called to stock we often analyze it fundamentally as well as with our quant models. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.
- **Asset Allocation.** P&A allocates the equity portion of each portfolio by market cap, industry group and geographic origin. Our industry group model is distilled from the popular averages and used to create diversification as well as under and over weights. Market cap and geographic exposure is determined by the investment committee. Mutual funds and

ETFs are used to complete diversification and address esoteric disciplines. Diversification can create its own set of risks when markets do not move in historic patterns.

- **Mutual Fund/ETF Analysis.** Expense ratios are continuously reviewed by the investment committee, as is style drift and benchmarked performance. Manager longevity and peer group performance is monitored to determine their level of investment skills over time and in a variety of economic conditions. P&A evaluates the underlying assets in these pooled investments in an effort to avoid significant overlap with other funds and the rest of the portfolio. Our mutual fund/ETF analysis is fundamental and quantitative. Historic performance does not guarantee future success.
- **Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. To that end, we combine fundamental and quantitative analysis whenever possible. However, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Methods of Fixed Income Analysis**

We use the following methods of analysis in formulating our investment advice and/or managing client assets, in conjunction with a core and satellite manner:

- **Fundamental analysis.** We accept that treasuries, US government guaranteed/collateralized debt and federal agencies are exempt from credit risk. GNMA, FNMA & FHLB mortgage backed debt fits in this category as well. Corporate debt and asset backed securities must be investment grade, exchange listed and/or highly liquid. Municipal revenue bonds must be investment grade and display consistent debt service coverage. Municipal general obligation bonds must be investment grade and display modest debt to assessed valuations. Non rated municipal and corporate bonds must meet investment grade standards in the eyes of the investment committee. Fallen angels in all categories must also meet the investment grade standards held by the investment committee regardless of rating. We tend to value our own fixed income research over that of the rating agencies. Fundamental analysis is most vulnerable to human error.

The underlying securities in all fixed income mutual funds must meet the same criterion as the individual securities P&A purchases, or employ esoteric investment styles not easily addressed by individual securities (high yield, foreign, alternative assets etc.). Mutual funds are expected to display a track record that validates the fund manager's ability to add value.

- **Yield Curve Analysis.** We analyze the prevailing interest rates in all asset classes and maturities. Yield curves can be steep, flat, inverted, parabolic, etc. We analyze the liquidity requirements of each portfolio and ladder fixed income in a manner that compliments these abnormalities. As a result, our fixed income portfolios can be equally laddered, dumbbell

laddered, long in duration, short in duration, etc. This is another form of fundamental analysis which is most vulnerable to human error.

- **Asset Class Analysis.** The relationship of treasury, agency, corporate and municipal yields is always in a state of flux. Market conditions can dislocate the traditional relationship of all asset classes. P&A monitors all these relationships and looks for opportunities to use approved securities in non-traditional roles. This analysis can generate extension, contraction and yield pickup swaps. A risk in using this type of quantitative analysis occurs when that the asset class models being used and the assumptions based on them prove to be incorrect.
- **Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. To that end, we combine fundamental and quantitative analysis whenever possible. However, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Equity Investment Strategies & Tactics**

We use the following strategies and tactics in managing client accounts, provided they match investment policy criterion, objectives and risk tolerance:

**Long-term purchases.** Our larger equity portfolios are fully diversified, using our core and satellite structure with a one year time horizon required of all candidates. We use no load mutual funds and ETFs to complete diversification and access esoteric strategies. When buying individual stocks we favor well managed, large cap (~\$5 Billion+) companies with a history of growing their dividends.

**Short-term trading** We generally do not recommend short term holding periods, however, they occur due to corporate actions, to facilitate tax strategies and to address market abnormalities. We also find ourselves asked to fulfill client requests.

**Margin transactions** We encourage all of our eligible clients to apply for margin privileges. While we rarely encourage investors to buy securities with borrowed money, we do use the margin accounts to match settlement dates, provide bridge loans, and offer overdraft protection. Liquidity needs rarely match maturity dates and dividends are not always available on the same cycle as cash flow needs. The margin facility coupled with modern money market sweep features can triumph over these issues.

**Option writing** We generally do not recommend this type of strategy, but sometimes inherit positions transferred from a resigning broker. Our role is to help clients unwind these transactions, not initiate them.

Swaps Tax swaps are a favorite, by realizing losses and reinvesting in securities that are not substantially identical we can move unrealized losses from the portfolio to the tax return without losing our market positions.

### **Fixed Income Investment Strategies & Tactics**

We use the following strategies and tactics in managing client accounts, provided they match investment policy criterion, objectives and risk tolerance:

Long-term purchases. Our fixed income portfolios are fully diversified, using our core and satellite structure with a maturity time horizon required of all candidates. We use no load mutual funds and ETFs to complete diversification and access esoteric strategies. When buying individual bonds we match the taxation of the interest rate stream to our client's profile. We use treasuries, federal agencies, corporates, municipals, mortgage and asset backed securities. We favor our in-house credit analysis skills while preferring liquid investment grade holdings.

Short-term trading We generally do not recommend short term fixed income trading. These trades may occur at client request.

Margin transactions We encourage all of our eligible clients to apply for margin privileges. While we rarely encourage investors to buy securities with borrowed money, we do use the margin account like overdraft protection. Liquidity needs rarely match maturity dates and interest payments are not always available on the same cycle as cash flow needs. The margin facility coupled with modern money market sweep features can triumph over these issues.

Swaps Tax swaps are a favorite, by realizing losses and reinvesting in securities that are not substantially identical we can move unrealized losses from the portfolio to the tax return without losing our market positions. We also look for extension swaps, contraction swaps, yield pickup swaps, etc.

### **Risk of Loss**

Financial investments carry a risk of loss. Clients must understand that both equities and fixed income securities expose their portfolios to loss of principal. This section describes some of the risks that Clients should consider before investing in an account managed by themselves or any investment advisor. Any or all such risks could materially and adversely affect investment performance and liquidity.

#### Equities

**Market Risk** – The value of your investment will fluctuate over time in response to overall movements in the stock market. Volatility is double edged sword, driving prices up as well as down, making long term trends hard to identify. Investments in common stocks can be more volatile and are often more visible than other investment classes.

Diversification Risk – Smaller accounts are harder to diversify than larger accounts. Failure to consolidate holdings, employ mutual funds and the concentration of assets can deliver higher volatility and credit risk to a portfolio. Diversification is the ally of the investor.

Market Cap Risk – Small and mid-cap companies can be more vulnerable to adverse business or economic risks than large-cap companies.

Interest Rate Risk – The fluctuation of interest rates in itself can stress companies of all sizes and industry groups.

Credit Risk – Companies that maintain significant leverage or operate in industries that require leverage become vulnerable to the availability of liquidity.

Event Risk – Publicly traded equity securities can be subject to leveraged buyouts, proxy battles, hostile takeovers, catastrophes and unpredictable political change.

Exchange Rate Risk – Companies operating in multiple currency environments are vulnerable to exchange rate risk. The hedging of exchange rate risk can also expose a company to a separate and distinct set of financial risks.

#### Fixed Income

Market Risk – The value of your investment will fluctuate over time in response to overall movements in the fixed income market.

Interest Rate Risk – The value of a fixed-income portfolio will generally fluctuate inversely to the direction of interest rates. When rates go up, the value of fixed income will generally go down. When rates go down, the value of fixed income will generally go up.

Credit Risk – An issuer may be unable to make principal and interest payments when due or the price changes due to a downgrade in the credit quality of the issuer.

Liquidity Risk – Fixed income securities can have less liquidity than securities traded on an exchange, especially for lower quality securities or those securities that have certain restrictions on resale.

Event Risk – Publicly traded fixed income securities can be subject to leveraged buyouts, proxy battles, hostile takeovers, catastrophes and unpredictable political change.

Geographic Risk – Fixed income securities can experience impaired liquidity as a result of the area they are domiciled or issued in.

**Item 9** Disciplinary Information

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

Our firm and our management personnel have no reportable disciplinary events to disclose.



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

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Pittenger & Anderson, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions. Pittenger & Anderson, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [pitt@pittand.com](mailto:pitt@pittand.com), or by calling us at 402-328-8800.

Pittenger & Anderson, Inc. and individuals associated with our firm are prohibited from engaging in principal transactions.

Pittenger & Anderson, Inc. and individuals associated with our firm are prohibited from engaging in agency cross transactions.

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

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

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts. P&A does not allow the aggregate blocking of personal/proprietary trades with those of advisory Clients. Personal trades may generally only be done after the Client trades, typically in the last 30 minutes the markets are open. As these situations represent a conflict of interest, P&A has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) A Director, officer or employee of P&A shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of P&A shall prefer his or her own interest to that of the advisory Client.
- 2) P&A maintains a list of all securities holding for itself and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by the Compliance Officer of P&A.
- 3) P&A emphasizes the unrestricted right of the Client to select and choose any broker or dealer he or her wishes. P&A recommends Charles Schwab for the majority of our Clients.
- 4) P&A requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance of the above may be subject to termination.

## **Item 12** Brokerage Practices

Pittenger & Anderson, Inc. manages portfolios based on Client's individual needs. The majority of our trades are individually placed for each Client. Charles Schwab & Co, Inc. [herein referred to as Schwab in this document] is recommended and used as a custodian and broker dealer for most accounts. P&A Clients pay brokerage commissions and fees in addition to P&A's management fee. Schwab's only compensation for these custodial services is derived from the trading commissions paid by Clients.

Accounts held at Schwab that hold assets of \$100,000 or more are eligible for Prime Broker privileges. Prime Broker facilities allow P&A to place trades for Clients through registered representatives at broker dealers (contra brokers) other than Schwab and deliver the securities purchased or sold, versus payment to the Client's account at Schwab. Contra broker trades are reconciled by P&A. Schwab has a minimal charge to clear each of these transactions per account and confirms those trades directly to the Client. However, due to Schwab's expertise and aggressive pricing, Clients with accounts of \$500,000 and less can expect the majority of their trades to be executed by Schwab. All of P&A's fee schedules assume the use of Schwab as a custodian.

In addition to listed equities, Prime Broker accounts are utilized to buy and sell OTC stocks, municipal bonds, US Treasury securities, federal agencies and corporate bonds from principal market makers whenever possible. These transactions are done as net transactions without commissions. Fixed Income securities are often purchased as new issues, from broker dealers using both negotiated and competitive underwritings.

The use of Prime Broker allows P&A the ability to avoid the pitfalls of single sourcing our Client accounts of \$100,000 or more with one custodian and broker dealer. By monitoring the distribution of commissions to various sources, we are able to ensure an active, unbiased and crosschecked flow of market information at substantially equal commission rates. Clients maintaining accounts smaller than \$100,000 do all of their custody and brokerage business at Schwab, under the recommendation of P&A.

Pittenger & Anderson, Inc. requires that clients provide us with written authority to determine the broker-dealer to use. We take into consideration the commission costs that will be charged to our clients for these transactions.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

As a matter of policy and practice, Pittenger & Anderson, Inc. does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

Pittenger & Anderson, Inc. may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Pittenger & Anderson, Inc. is independently owned and operated and not affiliated with Schwab.

Schwab provides Pittenger & Anderson, Inc. with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

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

Schwab Institutional also makes available to our firm other products and services that benefit Pittenger & Anderson, Inc. but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of our fees from clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.
- Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:
  - compliance, legal and business consulting;
  - publications and conferences on practice management and business succession; and

- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Pittenger & Anderson, Inc. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

P&A does not participate in traditional soft dollar arrangements.

When Clients require a fiduciary custodian, P&A is open to assisting them in interviewing and hiring institutions that are familiar with the fiduciary laws in the Client's state of residence. To this end, P&A is willing to share our familiarity with any institution that we have knowledge of and compare the strengths, weaknesses and fees charged to fiduciaries competing for the business.

## **Item 13    Review of Accounts**

### **Investment and Model Portfolio Management**

All individual security and mutual fund investments are monitored and reviewed continuously by the investment committee members (item 8). P&A conducts performance reviews on all accounts with assets of \$100,000 and more quarterly and all accounts with assets of \$99,999 and less semi-annually. During a performance review the committee surveys each client investment policy statement, last contact, asset allocation, composite, YTD gains and losses, average position size, composite performance and portfolio performance. Based on our core and satellite disciplines we check sector weightings, position size, unrealized gains and losses, asset class exposure, fixed income distribution, credit quality, cash available and cash needs. More frequent performance reviews may be triggered by investment policy change, client request, withdrawals, contributions, philanthropic needs, market conditions, political turmoil, economic events, etc. We review all of our account's cash balances on each trading day.

The investment committee consists of:

- James S Pittenger Jr., CFP® – Chairman/CEO
- Daniel L Anderson, CFP® - President
- Jon J Sevenker, CFP® - Vice President/Principal
- Diane L Klein, CFP® - Vice President/Principal
- James S Pittenger III (Trey), CFP® – Vice President/Principal
- Elizabeth A Sydzyk, CRPC® – Investment Officer
- Shane M Riley, CFA® – Investment Officer/Principal
- Blake A Anderson, CFP® – Investment Officer/Principal
- Audrey Mines, CFP® – Investment Officer
- Daniel Frost, CFP® - Lead Advisor/ Senior Analyst

P&A provides an investment report to all accounts quarterly and provides online access for all our clients. The report includes an account appraisal, transaction summary, projected income performance and an investment letter. All Clients receive monthly statements and trade confirmations from their custodians if they have a qualifying transaction within the time frame of the statement. Charles Schwab, our principal custodian, provides a secure website with account access.

### **Financial Planning Services**

The financial plan is typically reviewed several times during the initial process. Once a final draft is delivered it is often reviewed again during the following 12-18 months. Further reviews are available upon request.

Financial Planning clients will receive a detailed report containing current assets, liabilities, client profile, inflation assumptions, return assumptions and projections. Additional reports will be generated upon request.



**Item 14** Client Referrals and Other Compensation

It is Pittenger & Anderson, Inc.'s policy not to engage solicitors for referring potential clients to our firm. P& A does compensate their employees for successfully soliciting new accounts.

P&A may pay its employees half of the first years' management fees for successful new accounts. Because of varying management rates in management styles, this new client incentive program may create a conflict of interest. EBF portfolios have a 1% management fee and MF/EF management fee is 0.75%. This may create a higher incentive pay for recommending the stock/bond discipline. P&A will use care, transparency and due diligence when counselling new and established clients on management style recommendations

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

**Item 15** Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

**Item 16** Investment Discretion

Clients hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign our contract and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17    Voting Client Securities**

P&A will vote proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account. Our Proxy Voting Policies & Procedures are listed below:

Pittenger & Anderson, Inc. will vote client proxies for all client accounts in which we have discretionary authority. Pittenger & Anderson is not the custodian on client accounts and we must rely upon the custodian to get the proxy material to us in a timely manner, so that we may return proxy votes by stated deadlines.

Pittenger & Anderson, Inc. will look at each ballot proposal from the viewpoint of owners of the company. Ballot proposals will be voted on in a manner that is in the best interests of our client shareholders. This may or may not coincide with the recommendation of management. We will vote all proxies delivered in a timely manner unless for some reason it is in the clients' best interest for us to abstain from voting.

Proposed Directors will typically be voted favorably if they meet four requirements:

1. The proposed director is a direct owner of the company's stock.
2. The director is on a reasonable number of other company boards.
3. Directors should not receive a relevant portion of their annual income from the company as a director or contractor of services.
4. We would like to see separation of powers between Chairman of the Board and Chief Executive Officer.\*

We will generally vote as directed by management for the ratification of company Auditors.

In general, we will vote against poison pills. We are in favor of boards that have, what we believe to be, the best interests of their shareholders in mind.

Company proposals will be voted in favor of if they do not materially dilute the interests of shareholders. Proposals must also be fair to the officers that are running the company. Amendments to compensation plans will be looked at carefully before being voted positively on.

Stock option proposals will be reviewed and those that give a disproportionate share of the proposed grants to the top five officers will be voted against. We will vote against option grants that are extraordinarily large compared to outstanding shares.

Clients may request a record of how Pittenger & Anderson, Inc. voted any proxy on stock that they owned during date of voting record by contacting us in writing, via e-mail or by telephone.

Conflicts of Interest:

From time to time, we may have investment advisory relationships with individuals who are directors, owners, or insiders of companies that Pittenger & Anderson, Inc. clients own stock in. We

will vote proxies in these shares as we have noted above. If a client requests, in writing, he may vote his own proxy on the number of shares he owns.

**\*\*Litigation:**

Clients may receive request to participate in Class Action Settlements. Pittenger & Anderson, Inc. will be happy to assist our clients with this paperwork upon request of the client.

Adapted July 9, 2003

Revised \*3/29/05, \*\*5/2/06

**Item 18** Financial Information

As an advisory firm that maintains discretionary authority for Client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Pittenger & Anderson, Inc. has no additional financial circumstances to report.

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

Pittenger & Anderson, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.

## **Pittenger & Anderson, Inc. Privacy Policy**

At Pittenger & Anderson, Inc., we value the relationship with our clients and the opportunity to serve their investment needs. As a valued client of Pittenger & Anderson, Inc., you have the right to know our privacy policies and practices. These policies are designed to protect the nonpublic personal information you provide to us. This notice Pittenger & Anderson, Inc. describes our privacy policies and practices and affirms our commitment to ensuring the confidentiality and security of client information. Pittenger & Anderson, Inc.'s main goal is to protect your privacy. We do not sell your personal information to anyone.

Pittenger & Anderson, Inc. does not share or disclose any nonpublic information about its current or former clients, except as permitted by law. We may disclose or report personal information in limited circumstances where we believe in good faith that disclosure is required or permitted by law. For example, we may be required to disclose personal information to cooperate with regulators or law enforcement authorities, to resolve consumer disputes, to perform credit/authentication checks, or for institutional risk control. All information will remain confidential.

To conduct regular business, we may collect nonpublic personal information from sources such as information reported by you on applications or other forms you provide to us, as well as transactions with us, our affiliates, or others. We may enter into contracts with third parties so that they can assist us in servicing your account. We disclose personal information to companies that help us process transactions for your account (for example, transfer agents in order to complete a transaction you initiated).

Pittenger & Anderson, Inc. will internally safeguard your nonpublic information by restricting access to only those employees who provide products or services to you or those who need access to your information to service your account. In addition, we will maintain physical, electronic, and procedural safeguards that meet federal and/or state standards to guard your nonpublic personal information.

Lastly, as required by federal law, we will provide you with the most current version of our Privacy Policy annually, and inform you of any material modifications to the policy.

For questions concerning our policy, please contact Pittenger & Anderson, Inc. at 402-328-8800, or write to 5533 S. 27th Street, Suite 201, Lincoln, NE 68512.

Adapted May 15, 2001

Revised 05/2017