

# Pearl Impact Capital

## Form ADV Part 2A Brochure

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CRD # 310733

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**This Brochure provides information about the qualifications and business practices of Pearl Impact Capital, LLC. If you have any questions about the contents of this Brochure, please contact us at 503-307-7706 or [tony@pearlimpact.com](mailto:tony@pearlimpact.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. Registration as an Investment Adviser does not imply a certain level of skill or training.**

**Additional information about Pearl Impact Capital, LLC is available at the following website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Pearl Impact Capital, LLC is 310733.**

## **Item 2: Summary of Material Changes**

Since the filing of its initial Brochure on September 16, 2020, Pearl Impact Capital, LLC (“PIC” or the “Firm”) reports the following material changes to its business:

- PIC became a registered investment adviser in the State of Oregon effective October 2, 2020.
- As of December 31, 2020, PIC managed regulatory assets under management of \$103.196 million on a discretionary basis.
- PIC is now eligible for federal registration, and with the filing of this Brochure, is initiating its transition from state to federal registration.

PIC will provide clients with a summary of any material changes to this Brochure since the Firm’s last annual update within 120 days of the close of the Firm’s fiscal year end. PIC may provide additional interim disclosure about material changes, as warranted. For a current copy of the Firm’s Brochure, please contact us at 503-307-7706 or [tony@pearlimpact.com](mailto:tony@pearlimpact.com).

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## **Item 4: Advisory Business**

### **Description of Firm**

Pearl Impact Capital, LLC, headquartered in Portland, Oregon, is a limited liability company formed in August 2020 to provide investment management services to high net worth and institutional investors. Pearl Impact Capital, LLC also provides sub-advisory services to registered investment advisers, family offices, and institutional investors. Anthony Steven Tursich is the sole owner and managing member of Pearl Impact Capital, LLC.

From January 2019 through August 2020, Pearl Impact Capital was operating as the investment management and research division of state registered investment adviser Pearl Wealth, LLC.

The remainder of this Brochure describes our services and fees. Please refer to the description of our services shown below for information on how we tailor our services in seeking to meet client needs. As used throughout this Brochure, the terms "PIC", "Firm", "we," "our," and "us" refer to Pearl Impact Capital, LLC while the words "you," "your," and "client" refer to you as either a client or prospective client of our Firm.

### **Investment Management Services**

We offer discretionary investment management services. We construct and manage investment portfolios based on our firm's principles for investment and investment philosophy and tailored to meet our clients' needs and investment objectives. We incorporate environmental, social and governance ("ESG") factors into investment decisions, to better manage risk as we seek to generate sustainable, long-term returns. We believe that companies with strong ESG characteristics are better equipped to adapt to change and evolve and have lower probability of unforeseen liabilities.

If you participate in our discretionary portfolio management services, we require you to grant us discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. Discretionary authorization allows us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without obtaining your approval prior to each transaction. We also have discretion over the broker or dealer chosen to execute securities transactions in your account. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms.

You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing.

As part of our portfolio management services, in addition to other types of investments (see disclosures later in this section), we may choose to customize your holdings or utilize model portfolios developed by our firm. Model portfolios and custom portfolios are invested using the same research but may vary depending upon many factors such as investment horizon, specific individual restrictions, or the like. A model portfolio adheres to specific parameters with little variation. These models are designed for investors with varying degrees of risk tolerance ranging from a more aggressive investment strategy to a more conservative investment approach. Clients whose assets are invested in model portfolios may not set restrictions on the specific holdings or allocations within the model, nor the types of securities that can be purchased in the model.

**Sub-advisory Arrangements**

PIC may be designated as a sub-adviser where the Firm is hired by a registered investment adviser, family office, or other institutional investor to assist with the management of a client's investment portfolio. Under these arrangements, PIC will manage all or some of the client's assets in accordance with stated guidelines and objectives which are communicated by the registered investment adviser, family office, or institutional investor. In a sub-advisory relationship, the adviser/family office/institutional investor is responsible for the recommendation and selection of PIC on behalf of designated clients.

**Unified Managed Accounts**

PIC may provide model portfolio services to Unified Managed Account ("UMA") programs that are managed by unaffiliated investment advisory firms. The UMA combines all of a client's assets into a single account. These services would require PIC to provide these programs with daily changes to our model portfolios and would be submitted in accordance with directed trading procedures, as discussed in Item 12. As the investment adviser to UMA portfolios, PIC would be paid to share day-to-day portfolio strategy, while the program sponsors would retain final discretion to implement the modeled strategy. UMA program sponsors retain discretion to implement or not implement PIC's model changes. Furthermore, UMA program sponsors manage all trading and administrative aspects of client account management. Fees and brokerage arrangements for model portfolio services differ from more traditional asset management, as described in Items 5 and 12 of this Brochure.

**Performance Differences between Direct, Sub-advised, and UMA Accounts**

While PIC advised, sub-advised, and UMA accounts utilizing the same investment strategy would be expected to perform similarly, there are likely to be performance differences between them, primarily because PIC does not retain trading discretion over UMA accounts, and fees and expenses vary across account types. For more information about PIC's trading policies and procedures, please see Item 12 of this Brochure.

**Separately Managed Accounts**

Clients seeking exposure to a diversified array of third-party managers may hire PIC under a separately managed account ("SMA") arrangement. Under an SMA arrangement, PIC exercises discretion relative to handling the research, selection, and oversight of the account's third-party managers to provide broad coverage of specific asset classes and investment strategies. Third-party managers retain the discretion to select underlying account holdings.

**Related Advisory Services**

Although PIC does not hold itself out as providing financial planning, estate planning or accounting services, to the extent specifically requested by the client, PIC may provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, tax planning, etc. PIC does not charge any separate or additional fee for such consultation services.

**Types of Investments upon Which Advice is Offered**

We offer advice on equity securities, corporate debt securities (other than commercial paper), certificates of deposit, municipal securities, United States government securities, money market funds, mutual funds, exchange traded funds ("ETFs") and other alternatives. Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

### **Client Imposed Investment Restrictions and Obligations**

Although rare, there may be circumstances wherein a client does not desire a particular security, asset, or sector to be included in their portfolio. If this occurs, PIC will discuss any possible implications such investment constraints may cause and document any reasonable constraints in the client's Investment Policy Statement (or similar document).

Clients are advised that the investment recommendations and advice offered by PIC do not represent legal or accounting advice. Clients should coordinate and discuss the impact of financial advice with their attorneys and/or accountants.

In performing its services, PIC is not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify us if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising PIC's previous recommendations and/or services.

### **Written Investment Advisory Agreement**

Prior to engaging PIC, direct clients are required to enter into a written investment advisory agreement which discloses, in substance, a description of services to be provided, the term of the agreement, discretionary authority conveyed to PIC, the advisory fee and formula for computing the fee, terms associated with the return of fees in the event of contract termination or nonperformance, and a non-assignment clause, among other provisions. Direct and SMA clients may terminate the advisory agreement within five (5) business days of signing such agreement at no cost to the client.

We recommend Charles Schwab and Co., Inc. ("Schwab") for client broker-dealer and custody services, although clients may select an alternative custodian. PIC's investment services include the development of an Investment Policy Statement, or similar document, and the discretionary management of the client's portfolio.

Relative to sub-advisory and UMA arrangements, PIC executes an agreement with the adviser/family office/institutional investor, or UMA sponsor. The nature of the arrangement dictates whether participating clients are required to execute a separate agreement with PIC.

### **Non-Participation in Wrap Fee Programs**

A wrap fee program is a program under which investment advisory and brokerage execution services are provided for a single "wrapped" fee that is not based on the transactions in a client's account. PIC does not participate in wrap fee programs at this time, but if the Firm chooses to do so in the future, this Brochure will be updated accordingly.

### **Assets Under Management**

As of December 31, 2020, PIC manages \$103,196,705 of regulatory assets under management, all on a discretionary basis.

## **Item 5: Fees and Compensation**

### **Fee Schedule – Direct Clients**

PIC offers continuous investment management services for a fee, calculated as a percentage of assets under management. Our annual fee schedule is shown below.

0.90 percent on the First \$2 million  
0.70 percent on the Next \$3 million  
0.50 percent on the Next \$5 million  
Negotiable for accounts over \$10 Million

These annual rates are applied to the market value of all assets under management, including cash balances that are available for investment. Fees are in some cases negotiated with a client at our discretion. Fees are generally waived for employee and related or family member accounts.

### **Fee Billing – Direct Clients**

Our annual portfolio management fee is generally billed and payable, quarterly in arrears, based on the balance at the end of the billing period. If the investment advisory agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances. Clients may pay PIC's fees by direct invoice billing or by direct deduction. In the event of direct billing, clients may pay by check.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above. We will document/identify the accounts to be aggregated in a separate addendum which will be part of the billing process. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion.

Under direct fee debit arrangements, we deduct our fee directly from your account through the qualified custodian holding your funds and securities. We deduct our advisory fee only when the following requirements are met:

- You provide our firm with written authorization permitting the fees to be paid directly from your account held by the qualified custodian.
- We send you an invoice showing the amount of the fee, the value of the assets on which the fee is based, the time period covered by the fee, and the specific manner in which the fee was calculated.
- The qualified custodian agrees to send you a statement, at least quarterly, indicating all amounts disbursed from your account including the amount of the advisory fee paid directly to our firm.

### **Termination of Services**

For direct client relationships and SMAs, either you or PIC may terminate the investment advisory agreement upon written notice. Clients may terminate the advisory agreement within five (5) business days of signing such agreement at no cost to the client. After the five-day period, you will incur a pro rata charge for services rendered prior to the termination of the investment advisory agreement, which means you will incur management fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Where PIC serves as a sub-adviser, the notice period for termination of services is negotiated as described in the sub-advisory agreement between parties. Where PIC serves as a model provider under UMA arrangements, the notice period for termination of services is dictated by the program sponsor.

Lower fees for comparable services may be available from other sources. Any registered investment adviser who wishes to charge 3.0% or greater of the assets under management must disclose that such fee is in excess of the industry norm and that similar advisory services can be obtained for less and explain how such fee is deemed reasonable considering the advisory services offered by your firm and the amount of fees charged by other advisers that offer similar advisory services for less. We will never require prepayment of a fee more than six months in advance and in excess of \$500.

### **Fee Schedule and Billing – Sub-advisory, UMA, SMA Arrangements**

When PIC provides services under sub-advisory or UMA arrangements, we receive a fee from the adviser/family office/institutional investor or program sponsor based on total client account assets. Client fees are not set by PIC and therefore vary from one program to another. The adviser/family office/institutional investor or program sponsor dictates fee billing terms.

For SMAs, clients pay PIC's investment advisory fee (according to the schedule shown above) as well as the fees charged by underlying third-party managers. Third-party manager fees vary based on size of account, investment strategy, and other factors unique to each manager. Third-party manager fee billing arrangements vary by manager.

### **Additional Fees and Expenses**

As part of our investment management services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment management services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees generally include a management fee and other fund expenses. You may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our Firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this Brochure. PIC does not receive any compensation for securities transactions in any client account, other than the investment advisory fees noted above.

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

PIC does not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account. PIC does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its clients.

## **Item 7: Types of Clients**

We offer investment management services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals



- Family offices
- Small businesses and corporations
- Foundations and charitable organizations
- ERISA plans
- Investment advisers
- Other institutional clients

For direct client accounts, we do not impose a minimum account size. Nonetheless, so that PIC may achieve proper diversification when constructing client portfolios in seeking to meet client objectives, we reserve the right to decline an account. A minimum account size may apply to sub-advisory, UMA, or SMA accounts depending upon the arrangement and terms negotiated between parties.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost in the form of "locking-up" assets that may be better utilized in the short-term in other investments.

While the methods of analysis help PIC in evaluating a potential investment, it does not guarantee that the investment will increase in value. Assets meeting the investment criteria utilized in these methods of analysis may lose value and may have negative investment performance. PIC monitors client portfolios to determine if adjustments to strategic allocations are appropriate. More details on the Advisor's review process are included below in the *Review of Accounts* section.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

## **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. Your custodian will default to the First-In First-Out accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax adviser to determine if this accounting method is the right choice for you. If your tax adviser believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price, or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired or are nearing retirement.

### **Separately Managed Accounts**

In addition to the risks associated with underlying security holdings, the Separately Managed Account is subject to the risk that the allocation combination of investment strategies managed by an array of third-party managers may not achieve their intended objective to either increase or decrease the risk or volatility of the account.

### **Recommendation of Particular Types of Securities**

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

**Money Market Funds:** A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

**Certificates of Deposit:** Certificates of deposit ("CDs") are generally a safe type of investment since they are insured by the Federal Deposit Insurance Company ("FDIC") up to a certain amount. However, because the returns are generally low, there is risk that inflation outpaces the return of the CD. Certain CDs are traded in the marketplace and not purchased directly from a banking institution. In addition to trading risk, when CDs are purchased at a premium, the premium is not covered by the FDIC.

**Municipal Securities:** Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

**Bonds:** Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETFs") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of the underlying index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their underlying indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its underlying index, or its weighting of investment exposure to such securities may vary from that of the underlying index. Some ETFs may invest in securities or financial instruments that are not included in the underlying index, but which are expected to yield similar performance.

## **Item 9: Disciplinary Information**

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

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

Neither PIC, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Neither PIC, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or a representative of the foregoing.

PIC is qualified to serve as a sub-adviser to registered investment advisers, family offices, and institutional investors. We do not believe these arrangements create material conflicts of interest for our sub-advised or direct clients. We follow written policies and procedures designed to manage any potential conflicts by seeking to ensure that all clients are treated fairly, regardless of the investment strategy, investment vehicle, portfolio size, and fee schedule associated with the account.

PIC has entered into an Administration and Office Services Agreement ("Agreement") with an unaffiliated third party to handle certain trading, operational, and administrative services, and expenses. Under this Agreement, PIC compensates the third party for its share of such expenses according to a pre-determined schedule, which is subject to change over time as warranted.

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

### **Description of Our Code of Ethics**

PIC strives to comply with applicable laws and regulations governing our business. Our Code of Ethics includes guidelines for professional standards of conduct for our employees. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing. All PIC employees are expected to adhere strictly to these guidelines and to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by our employees.

### **Participation or Interest in Client Transactions**

Neither our Firm nor employees have any material financial interest in client transactions beyond the provision of investment management services as disclosed throughout this Brochure.

### **Personal Trading Practices**

Our Firm or employees may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our Firm nor employees shall have priority over your account in the purchase or sale of securities.

### **Block Trading**

Our Firm or employees may buy or sell securities for you at the same time the Firm or employees buy or sell such securities for our/their own account. We may also combine our orders to purchase or sell securities with your orders to purchase or sell securities ("block trading"). More often, we build/rebalance portfolios one at a time. Please refer to the *Brokerage Practices* section in this Brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Firm nor employees shall have priority over your account in the purchase or sale of securities.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at 503-307-7706 or [tony@pearlimpact.com](mailto:tony@pearlimpact.com).

## **Item 12: Brokerage Practices**

Where PIC is responsible for trade execution, we have adopted trading policies and procedures which prohibit unfair trading practices and seek to avoid any conflicts of interest or resolve conflicts in favor of clients. If a conflict of interest does exist, it is our fiduciary duty to manage and disclose it responsibly. PIC has adopted written policies and procedures for trade documentation, trade allocation and aggregation, soft dollars, best execution, and resolution of trade errors. Some of these important policies are highlighted below.

Under SMA arrangements, third-party managers are responsible for trade execution. Under UMA arrangements, program sponsors are responsible for trade execution.

### **Brokerage and Custodial Selection**

Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. Clients have discretion over the choice of custodian to hold account assets. When requested by clients, we recommend the brokerage and custodial services of Charles Schwab & Co., Inc. (“Schwab”). In recognition of the value of the services the custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services.
- The likelihood that your trades will be executed.
- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with our Firm and our other clients.

### **Research, Soft Dollars, and Other Economic Benefits**

We do not have any soft dollar arrangements however we do generally receive certain economic benefits from a client’s custodian. As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### **Schwab - Your Custody and Brokerage Costs**

For our clients’ accounts it maintains, Schwab generally does not charge you separately for custody services. In addition to commission rates on mutual fund transaction and/or asset-based fees, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have

executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

### **Schwab Advisor Services**

Schwab Advisor Services (formerly known as “Schwab Institutional”) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us.

**Services that Benefit You:** Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

**Services that May Not Directly Benefit You:** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data; to facilitate payment of our fees from our clients’ accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

**Services that Generally Benefit Only Us:** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology, 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 provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party’s fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. These services may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of Schwab's services (based on the factors discussed above – see "The Custodian and Broker We Use") and not Schwab's services that benefit only us. We do not believe that maintaining our client's assets at Schwab for services presents a material conflict of interest.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

In limited circumstances, and at our discretion, some direct clients may instruct PIC to use one or more particular brokers for the transactions in their accounts. If you choose to direct PIC to use a particular broker, you should understand that this might prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Block Trades**

For direct and sub-advised accounts, we may combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage ("block trading"). If we combine orders, we will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally, participating accounts will pay a fixed transaction cost regardless of the number of shares transacted. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our Firm or our employees may participate in block trading with your accounts; however, they will not be given preferential treatment.

### **Trade Errors**

All client account trades are placed electronically or telephonically by PIC. To that end, PIC assumes responsibility for any account losses for trading errors directly resulting from our failure to follow our trading procedures or from a lapse in our internal communications. In such instances, client accounts will be compensated for any such corresponding losses. However, PIC clients acknowledge that we cannot and will not be responsible for account errors and/or losses that occur where PIC has used its best efforts (without direct failure on our part) to execute trades in a timely and efficient manner. If a trade or some portion of a trade is not effected or an electronic "glitch" occurs which results in an account not being traded at the same time or at the same price as others, and such occurrence is not a result of our failure to execute or follow our trade procedures, the resulting loss will not be considered a trading error for which PIC is responsible.



In addition, virtually all mutual funds, as disclosed in their prospectuses, reserve the right to refuse to execute trades if, in a fund's sole judgment, the trade(s) would jeopardize the value of the fund. PIC has no authority to change, alter, amend, or negotiate any provision set forth in a mutual fund prospectus. Clients further acknowledge that PIC cannot and will not be responsible for trades that are not properly executed by any clearing firm, custodian, mutual fund, or insurance company, wherein PIC has properly submitted the order. Finally, PIC cannot be responsible for a unilateral adverse decision by a mutual fund or insurance company to restrict and/or prohibit mutual fund portfolio management programs.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset-based fee as set forth in the agreement you execute with our Firm. This practice presents a conflict of interest because persons providing investment advice on your behalf may have an incentive to recommend a rollover to you for the purpose of generating fee-based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our Firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

- Leaving the funds in your employer's (former employer's) plan.
- Moving the funds to a new employer's retirement plan.
- Cashing out and taking a taxable distribution from the plan.
- Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney. It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

- Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - Employer retirement plans generally have a more limited investment menu than IRAs.
  - Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
- Your current plan may have lower fees than our fees.
  - If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
- Our strategy may have higher risk than the option(s) provided to you in your plan.
- Your current plan may also offer financial advice.

- If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 72.
- Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
- You may be able to take out a loan on your 401k, but not from an IRA.
- IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
- If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
- Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

### **Item 13: Review of Accounts**

Anthony Tursich, Managing Member, monitors your account(s) on an ongoing basis and conducts account reviews at least quarterly, to ensure the advisory services provided to you are consistent with your investment needs and objectives. In the event of volatile market conditions or changes in your financial condition, we would monitor your account more frequently. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- security specific events; and/or,
- changes in your risk/return objectives.

PIC prepares quarterly client reports, which include recounts of inflows and outflows, performance, and portfolio transactions and holdings. In addition, you will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

### **Item 14: Client Referrals and Other Compensation**

PIC does not receive commissions or other compensation from product sponsors, broker-dealers or any unrelated third party. However, as referenced above (*Brokerage Practices*), PIC receives, without cost and/or at a discount, direct or indirect economic benefits from Schwab in the form of the support products and services they make available to us and other independent investment advisers whose clients maintain accounts at Schwab. PIC clients do not pay more for investment transactions effected and/or assets maintained at Schwab because of this arrangement. There is no corresponding commitment made by PIC to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific securities or other investment products because of the above arrangement.

PIC does not pay any portion of its investment management fees to any other investment adviser or professional in connection with client referrals to us. However, PIC will receive a portion of investment management fees received by investment advisers from clients participating in sub-advisory arrangements

where PIC is acting as sub-adviser.

Other than the previously described products and services that PIC receives from Schwab we do not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients. PIC does not currently maintain any solicitation arrangements for client referrals however we do expect to compensation one or more employees for business development activities.

Refer to the *Brokerage Practices* section above for disclosures related to research and other benefits we may receive resulting from our relationship with your account custodian.

## **Item 15: Custody**

As paying agent for our Firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy, with the understanding that the custodian does not verify the accuracy of our fee calculation.

We will also provide statements to you, at the same time we provide a spreadsheet to the custodian or trustee, reflecting the amount of the advisory fee deducted from your account. You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, contact us immediately at the telephone number on the cover page of this Brochure.

PIC may provide other services on behalf of its clients that require disclosure in Form ADV Part 1, Item 9 (Custody). In particular, clients may choose to sign asset transfer authorizations that permit the qualified custodian to rely upon instructions from PIC to transfer client funds to “third parties.” In accordance with regulatory guidance, the affected accounts would not be subjected to an annual surprise custody examination.

## **Item 16: Investment Discretion**

Before we can buy or sell securities on your behalf as a direct client, you must first sign our investment advisory agreement and the appropriate trading authorization forms. Under discretionary arrangements, you grant our Firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose reasonable conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security.

Under sub-advisory arrangements, PIC assumes discretionary authority over the selection and amount of securities to be purchased or sold for sub-advised client accounts without obtaining consent or approval

from the adviser or sub-advised client prior to each transaction. Under SMA arrangements, PIC has discretion to select third-party managers, while such managers retain discretion for day-to-day trading decisions. Under UMA arrangements, program sponsors retain investment discretion for day-to-day trading and may or may not implement PIC's model portfolio recommendations.

On a case-by-case basis, we may accept non-discretionary account arrangements wherein PIC is required to obtain approval from the client prior to each individual security transaction. In such cases, the client will generally be contacted by telephone and required to accept or reject PIC's investment recommendations including: (1) the security being recommended, (2) the number of shares or units transacted, and (3) whether to buy or sell. Clients who authorize us to act on their behalf on a non-discretionary basis should be aware that PIC's inability to reach the client to obtain prior approval in a timely manner can have an adverse impact on the timing of trade implementation and optimal trade prices. Non-discretionary terms of engagement would be specifically set forth in the written investment advisory agreement or addendum thereto.

## **Item 17: Voting Client Securities**

### **Proxy Voting – Direct and Sub-advised Accounts**

If you delegate proxy voting authority to PIC, we will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for you. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain, or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue. PIC utilizes a third-party service provider for proxy voting recommendations.

Conflicts of interest between you and PIC, or an employee of our Firm, regarding certain proxy issues, could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

If you wish to direct PIC on voting a particular proxy, you should contact us. We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by contacting us at 503-307-7706 or [tony@pearlimpact.com](mailto:tony@pearlimpact.com).

### **Class Action Lawsuits – Direct and Sub-advised Accounts**

We will assist you, in conjunction with your legal counsel or other professionals, in filing claims with the claims administrator to participate in any settlement proceeds related to class action settlements involving a security held in your portfolio. We may also work with your legal counsel or other professionals to determine whether you are eligible to participate in class action litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held in your portfolio.

### **Proxy Voting and Class Action Lawsuits – SMAs and UMAs**

Under SMA and UMA arrangements, third-party managers, and program sponsors, respectively, determine proxy voting and class action lawsuit practices.

### **Item 18: Financial Information**

Our Firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and we do not require the prepayment of more than \$500 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this Brochure. Furthermore, we have never filed a bankruptcy petition.

### **Item 19: Requirements for State-Registered Advisers**

PIC is transitioning from state to federal registration as of the date of this Brochure. Item 19 applies until the transition is complete.

Please refer to the *Other Financial Industry Activities and Affiliations* section above as well as Form ADV Part 2B for more information about Anthony Tursich.

Neither our Firm, nor any of our employees, is compensated for investment management services tied to performance-based fees. The fees charged by PIC are as described in the *Fees and Compensation* section above and are not based upon the capital appreciation of the funds or securities held by any Client. Refer to the *Performance-Based Fees and Side-By-Side Management* section above for additional information on this topic.

There are no legal, civil, or disciplinary events to disclose regarding PIC or Managing Member Anthony Tursich. Neither PIC nor Anthony Tursich have ever been involved in any regulatory, civil, or criminal action. There have been no client complaints, lawsuits, arbitration claims or administrative proceedings against PIC or Anthony Tursich. Securities laws require an adviser to disclose any instances where the advisor or its advisory persons have been found liable in a legal, regulatory, civil or arbitration matter that alleges violation of securities and other statutes; fraud; false statements or omissions; theft, embezzlement or wrongful taking of property; bribery, forgery, counterfeiting, or extortion; and/or dishonest, unfair, or unethical practices. As previously noted, there are no legal, civil, or disciplinary events to disclose regarding PIC or Anthony Tursich.

Neither our Firm, nor any of our employees, has a relationship or arrangement with any issuer of securities.