

## Part 2A of Form ADV: Firm Brochure

# PRUNEYARD FINANCIAL GROUP, INC.

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3/31/2021

## ITEM 1. COVER PAGE

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This brochure provides information about the qualifications and business practices of Pruneyard Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at the telephone number or email address listed above.

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. Any reference made in this brochure to being “registered with SEC” or “a registered investment adviser” does not imply a certain level of skill, training, or certification. Additional information about Pruneyard Financial Group, Inc. is available on the SEC’s website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

## ITEM 2. MATERIAL CHANGES

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We are required to update this brochure on an annual basis.

Should a material change in our operations occur, it will be summarized in this item. We will provide our clients with either a summary of the revised information with an offer to deliver the full revised Firm Brochure within 120 days of our December 31 fiscal year-end, or we will provide them with our revised Firm Brochure that will include this item. We may also provide other ongoing disclosure information about material changes, as necessary.

Material changes include changes to any information that is critical to a client's full understanding of who we are, how to find us, and how we do business, including but not limited to changes of (a) Ownership or control, (b) Location, (c) Disciplinary proceedings, and (d) Significant changes to our advisory services or affiliates. However, we are not required to send updated documents to our clients when there are no material changes to report since filing of our last annual update and/or Firm Brochure.

Material changes to disclose since the last update of this brochure, dated 6/25/2020 are:

- A. We added financial planning to the Advisory Services we offer as a stand-alone product line eligible for separate engagements and billing.
- B. Charles Schwab closed its acquisition of TD Ameritrade in October 2020. The two custodians continue to operate independently and there has been no change in our business with TD Ameritrade. We will provide additional information about the acquisition as it becomes available.

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## ITEM 4. ADVISORY BUSINESS

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Pruneyard Financial Group, Inc. (hereinafter “PFG”) is a registered investment adviser under the Investment Advisers Act of 1940, with principal offices located in Campbell, California.

PFG was formed in 1995 and has been conducting advisory business since 1996. Pursuant to a corporate restructuring in 2000, an updated registration was approved by SEC in 2001. John D. Masegian and Steven A. Schumaker became the principal shareholders of PFG in 2016 and represent the second-generation of their respective families to lead the firm.

Our investment advisory business is currently organized into three lines: Retirement plan services, portfolio management, and financial planning. While our retirement plan services usually focus on the needs of corporate clients, portfolio management and financial planning usually serves individual clients and small business. A client may utilize services offered in any one or more lines of business as appropriate.

### RETIREMENT PLAN SERVICES

We offer two categories of retirement plan related services that are reflective of recent guidance changes and rule clarifications by federal regulators. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates, small business, and charitable organizations.

#### § 3(21) Fiduciary Adviser

The Employee Retirement Income Security Act of 1974 (ERISA) requires any plan sponsor that lacks the technical knowledge and experience to properly manage investments to hire knowledgeable advisors. Historically, those advisors have been § 3(21) fiduciaries. PFG can serve as a § 3(21) fiduciary advisor in certain engagements:

**Full-Scope engagement** where PFG effectively serves the role of the plan sponsor in hiring and monitoring all service providers, but without discretionary investment authority. This role is typically performed by an independent fiduciary.

**Limited-Scope engagement** in which PFG provides counsel and guidance to the plan sponsor but does not have discretion or responsibility for investment decisions including but not limited to recommending investments to the plan sponsor; monitoring those investments and suggesting replacements; providing participant education under the guidelines established in § 404(c); or advising the plan sponsor in following a fiduciary process and investment policy.

#### § 3(38) Investment Manager

ERISA provides that a plan sponsor can appoint a qualified § 3(38) fiduciary (bank, insurance company, or registered investment adviser (RIA) subject to the Investment Advisers Act of 1940) as an investment manager to manage the plan’s assets, with responsibility for selecting, monitoring and replacing investments. This is not the role of a consultant who “advises,” “recommends,” “assists” or “helps,” but a fiduciary who agrees to and acknowledges its fiduciary status in writing.

As a § 3(38) fiduciary investment manager, PFG would be engaged to manage a plan's investment management process, with discretionary authority over day-to-day investment decisions at the plan level.

## PORTFOLIO MANAGEMENT

PFG provides discretionary portfolio management (i.e., separately managed accounts) services through a wrap fee program, the "PFG Money Management Program" (the "Program"). In limited circumstances, PFG manages certain pre-existing client accounts on a non-discretionary basis within the Program; however, PFG no longer offers non-discretionary management services to new or prospective Program participants.

PFG is the sponsor and investment manager of the Program. Clients and prospective clients interested in obtaining information concerning the portfolio management and the Program, including fees, should refer to Form ADV Part 2A, Appendix 1: Wrap Fee Program Brochure.

## FINANCIAL PLANNING

We provide a variety of financial planning services to individuals, families, and other clients regarding the management of their financial resources. Generally, financial planning services will involve preparing a written financial plan for clients based on the client's financial goals and objectives.

Our financial plans usually include a written summary of a client's financial situation, observations, and recommendations for a course of activity or specific actions to be taken by the client. A plan is typically completed within six (6) months of the client formally engaging us, if all the information and documents we request from the client are provided to us promptly. For example, recommendations may be made that the client begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs.

Depending on the complexity of the engagement, a plan may be:

- A. Comprehensive, e.g., cash flow models, net worth calculation, insurance analysis, education planning, portfolio analysis, retirement planning, tax planning strategies, and estate planning, or
- B. Focused on a specific goal or client objective, i.e., career changes, housing affordability, use of inheritance.

Implementation of the recommendations are at the discretion of the client and the client is under no obligation to act upon the recommendations presented. If the client elects to act on the plan recommendations, the client is under no obligation to affect the transaction through us although we are obligated to help the client select and implement the actions, products, or services recommended in the plan, unless specifically stated otherwise in the terms of engagement. Referrals to an accountant, attorney, or other specialist, are available as necessary for non-advisory related services.

## ASSETS UNDER MANAGEMENT

As of 12/31/2020, we manage \$ 130,122,599 of client assets on a discretionary basis, \$649,441 of client assets on a non-discretionary basis, totaling \$130,772,040 of regulatory assets under management.

## ITEM 5. FEES AND COMPENSATION

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Our advisory fees are negotiated and agreed upon prior to entering a contract with a client. Client facts, circumstances and needs are considered in determining the fee schedule, including the complexity of the client, assets to be placed under advisement, related accounts, and account composition and reports, among other factors. The specific annual fee schedule is identified in each contract between PFG and the client. Fees are prorated based on the number of days that the account was managed by us in the case of partial months.

### RETIREMENT PLAN SERVICES

Fees for our retirement plan services are calculated as a percentage of plan assets and range from 0.35% to 1.00% annually, payable quarterly either in advance or arrears depending on the agreed upon terms of service. Billing and payment terms are determined at the outset of the engagement according to one of the following options:

- A. PFG sends an invoice for its fees to the plan sponsor which then pays the invoice; or
- B. PFG sends an invoice for its fees to the plan recordkeeper, which in turn allocates payment across participant accounts, and PFG debits the plan account for payment; or
- C. The plan recordkeeper calculates the fees and pays PFG on behalf of the plan sponsor and/or plan participants by direct debit.

### PORTFOLIO MANAGEMENT

Investment accounts that are managed by our firm as part of our wrap fee program are typically assessed an annual advisory fee divided into 12 ongoing monthly payments billed at the end of each month (in arrears) based on the average daily balance of that reporting period.

Asset-based fees associated with our wrap fee program include most transaction costs and fees to the broker-dealer or bank that has custody of the account assets. Some investments, such as mutual funds, exchange traded funds, 529 Plans, structured products, and variable annuities, charge additional fees not included in our wrap fee that will reduce the value of an investment over time.

Our maximum annual fee is 1.5% and lowest fee is 0.50%. Fees are automatically deducted from each account, which reduces the value of the account. In rare cases, our firm will agree to send a client invoices rather than automatically deduct our firm's fees from the account.

In certain cases, we may utilize third party managers to execute a transaction for us on a client's behalf. They will not charge the client a fee directly, although these transactions will often include a trade away fee as part of the transaction. We may on a case-by-case basis reduce and/or adjust our fee to offset certain markups and/or fees associated with the purchase of bonds and trade away transactions.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Please refer to our [Form ADV, Part 2A, Appendix 1: Wrap Fee Program Brochure](#) for further information.

## FINANCIAL PLANNING

We charge on an hourly or flat fee basis for financial planning that is not otherwise included in our wrap fee program. Our firm does not charge a fee for the initial consultation. The total estimated fee, as well as the total fee that we charge you, is negotiated based on the scope and complexity of our engagement with you. Our hourly fees are \$350 for financial advisors, \$150 per hour for para-planners and \$75 for administrative time. Flat fees generally range from \$2,000 to \$30,000.

We require a retainer of fifty percent (50%) of the total financial planning fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within six (6) months.

Financial Planning clients may terminate their agreement at any time before the delivery of a financial plan by providing written notice. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee disclosed in the executed advisory agreement. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

## ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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PFG does not charge performance-based fees or utilize side-by-side management of accounts.

## ITEM 7. TYPES OF CLIENTS

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PFG provides advisory services to Individuals (other than high net worth individuals), High net worth individuals, Pension, and profit-sharing plans (other than plan participants), Charitable organizations, Corporations, small businesses, or other business and non-profit entities. We do not provide services to Federal or State agencies, departments, or branches.

- A minimum of \$100,000 of plan assets are required for our retirement plan services. Generally, this minimum requirement is not negotiable, although as noted above, pre-existing clients are subject to the requirements in effect at the time they engaged PFG for advisory services.
- There is no minimum account size required to participate in our wrap fee program.



## ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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### METHODS OF ANALYSIS

We use the following methods of analysis in identifying, selecting, and monitoring investment vehicles. These 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. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

#### Fundamental Analysis

We evaluate various economic data, industry factors, and the financial condition and management of a company to determine if a company security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

#### Technical Analysis

We review charts of market and securities prices to identify when the market is moving up or down, and to predict how long the trend may last, or when that trend might reverse.

We may study past market price movements for recurring patterns of investor behavior that may suggest potential future price movements of present-day markets. Similarly, we may also measure the movements of a security's price against its peers, and the overall market, to predict the future price movement of the security.

Technical analysis does not consider the underlying financial condition of a company, and past performance does not guarantee future results. Using technical analysis alone presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

#### Qualitative Analysis

We look closely at the experience and track record of a mutual fund or exchange traded fund (ETF) manager to determine if the manager has demonstrated an ability to manage the fund successfully over an industry acceptable period (e.g., 1, 3, 5, 10 years) and in different economic environments. Our analysis includes a review of the fund's underlying assets to determine if there is significant overlap with the investments currently held in a client's portfolio.

We monitor the mutual fund to determine if the manager is following the stated investment strategy per prospectus. A fund manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of a fund, which could make the fund less suitable for the client's portfolio.

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 thereby evaluate the advisory services being provided.

## **INVESTMENT STRATEGIES**

We use any one or combination of the following strategies in managing client accounts, if we believe that the strategy is appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

### **Long-term purchases**

We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when we believe the securities are currently undervalued and/or we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

### **Short-term purchases**

When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically less than a year). We do this to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

### **Margin transactions**

Generally, PFG does not engage in margin transactions as an investment strategy for purchasing securities in client accounts. PFG may, however, engage in margin transactions as required for certain types of options trading or upon client request as a backup funding source.

### **Option writing**

We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative because it derives its value from an underlying asset. The two types of options we utilize are:

A call gives us the right to buy an asset at a certain price within a specific period. We will buy a call if we have determined that the stock will increase substantially before the option expires.

A put gives us the holder the right to sell an asset at a certain price within a specific period. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls," in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we must buy the option back from the option buyer, at a possible loss.

We use a "spreading strategy," in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time, and other factors. A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

#### RISK OF LOSS

Investing involves risk of loss of opportunity, income, and principal. Obtaining higher rates of return on investments typically entails accepting higher levels of risk. We will work with you to attempt to identify the balance of risks and rewards that is appropriate and comfortable for you, and we will explain and answer any questions you have about these kinds of investments.

## ITEM 9. DISCIPLINARY INFORMATION

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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.

We have no reportable legal or disciplinary events to disclose.

## ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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PFG is not registered, nor does it have an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor.

Furthermore, no PFG control person is registered or has a pending application to become registered as, or licensed with, any such foregoing entity.

PFG is registered separately with the State of California as an accountancy corporation, with services incidental of conduct of its advisory business. Accordingly, management personnel and other employees, in their separate capacities as accountants or associates, may also provide tax planning and preparation services to advisory clients for separate yet customary compensation.

PFG's accounting services do not include the authority to sign checks or otherwise disburse funds on any of our advisory client's behalf. Advisory clients are not under any obligation to engage the firm or these individuals for accounting services.

John D. Masegian, President of PFG, anticipates dedicating approximately 50% of his time engaged in providing accounting and tax planning and preparation services in his capacity as a CPA, for which he will receive separate yet customary compensation.

Steven A. Schumaker, in his capacity as an Enrolled Agent, is permitted to represent taxpayers before the IRS and provide tax preparation services, for which he will receive separate yet customary compensation. It is anticipated that he will spend approximately 10% or less of his time engaged in the tax practice.

Mr. Schumaker is also separately licensed in the State of California as an insurance agent for various insurance companies, and as such can purchase certain insurance products (including medical, term life and annuity products) for clients for which he would generate separate, yet customary compensation.

Mr. Schumaker will be recommended to clients or potential clients of PFG in need of such services; however, advisory clients are under no obligation to engage him in his separate capacity. It is anticipated that he will spend approximately 10% or less of his time engaged in these other activities.

However, the receipt of additional compensation by PFG and/or its control persons or employees creates a potential conflict of interest that may impair the objectivity of the firm and Mr. Schumaker when providing advisory services. In order to eliminate this potential conflict, Mr. Schumaker will not actively engage in activities as a licensed insurance agent on behalf of PFG's advisory clients.

## ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

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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. PFG 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.

PFG'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 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 [steven.schumaker@pruneyardfinancial.com](mailto:steven.schumaker@pruneyardfinancial.com), or by calling us at (408) 377-4444.

Our Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of our employees will not interfere with our making and implementing decisions in the best interest of advisory clients 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 in their personal securities accounts utilizing strategies which may be identical to or different from those recommended to our clients. In addition, any related persons may have an interest or position in a certain security which may also be recommended to a client.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price. In the instances where there is a partial fill of a block order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received because of his or her employment unless the information is also available to the investing public.
3. 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. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Under no circumstances will PFG or its supervised persons accept or receive 12b-1 fees, commissions on trades, or any similar fee, in connection with recommending, purchasing, or holding 12b-1 fee paying share classes for our advisory.
5. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
6. We maintain a list of all reportable securities holdings for our firm, and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee.
7. We have established procedures for the maintenance of all required books and records.
8. All Principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management. Any individual who violates any of the above restrictions may be subject to disciplinary action which may range from verbal or written warnings, heightened supervision, or in severe circumstances, termination.

## ITEM 12. BROKERAGE PRACTICES

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PFG does not have any soft-dollar arrangements and does not receive any commissions or other revenue from outside asset managers or brokerage firms.

### SELF-DIRECTED/SEPARATE PENSION ACCOUNT TRADING

A plan sponsor may engage PFG as a § 3(38) fiduciary investment manager and require PFG to utilize established systems and protocols made available by the plan's recordkeeper for the execution of securities transactions on behalf of a plan irrespective of the plan's regular business operations, loan processing, or payroll deferrals. Such transactions may include asset re-allocation, fund rebalance, or fund exchange. Otherwise, the client is responsible for the implementation of securities transactions for these accounts.

Plan recordkeeping systems we have worked with include Nationwide Financial, Matrix Financial (Broadridge), TD Ameritrade, and Fidelity Investments.

### PORTFOLIO TRADING

As previously disclosed in Item 4, PFG's portfolio management services are provided through the wrap-fee Program sponsored and managed by PFG. The fee paid by our clients participating in the Program covers administrative expenses, custody charges and most transaction fees incurred by PFG as a participant in the institutional customer programs offered by TD Ameritrade and Fidelity Investments.

Program clients are required to custody their assets with and execute transactions through TD Ameritrade or Fidelity Investments. TD Ameritrade and Fidelity Investments each offers services to independent investment advisers which include, among others, custody of securities, trade execution, clearance, and settlement of transactions. There is no direct link between our firm's participation in the programs and the investment advice we give to our clients, although we receive economic benefits through our participation in the programs that are typically not available to TD Ameritrade or Fidelity Investments retail investors.

These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain Institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to PFG by third party vendors. TD Ameritrade or Fidelity Investments may also pay for business consulting and professional services received by PFG's related persons.

Some of the products and services made available by TD Ameritrade or Fidelity Investments through their programs may benefit PFG but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade or Fidelity Investments. Other services made available by TD Ameritrade or Fidelity

Investments are intended to help us manage and further develop our business enterprise. The benefits received by PFG through participation in the programs do not depend on the number or value of brokerage transactions directed to TD Ameritrade or Fidelity Investments.

Clients should be aware, however, that the receipt of economic benefits by PFG or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TD Ameritrade or Fidelity Investments for custody and brokerage services.

We examined this potential conflict of interest with TD Ameritrade and Fidelity Investments and determined that maintaining the two custodial relationships is in the best interests of PFG clients and satisfies our client obligations, including our duty to seek best execution.

PFG is independently operated and owned and is not affiliated with either TD Ameritrade or Fidelity Investments. Additional information regarding the PFG wrap-fee Program is provided in our Form ADV, Part 2A, Appendix 1: Wrap Fee Program Brochure.

## TRADE ALLOCATIONS & AGGREGATION

PFG will aggregate trades into blocks where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, and generally allows us to execute equity trades in a timely, equitable manner, at an average share price.

Key components of PFG's block trading policy and procedures are as follows:

1. No client or account will be favored over another.
2. If the order cannot be executed in full at the same price or time, the securities purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts.
3. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with PFG, or firm policy.

## ITEM 13. REVIEW OF ACCOUNTS

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PFG will review a retirement plan's investment management process, including Investment Policy Statement, whenever the client advises us of a change in circumstances regarding the needs of the plan. Generally, we will conduct an informal review of plan options and holdings monthly, and a formal review on a quarterly basis, with a comprehensive review of the plan performed on at least an annual basis. The comprehensive annual review will be conducted in concert with the plan recordkeeper and published to the plan sponsor as a report.

Clients will receive reports as contracted for at the inception of the advisory relationship. At least annually, a member of the PFG investment team will meet in-person or by phone with the plan sponsor to review the written results of the annual report.

Specific information for clients who participate in our wrap fee Program can be found in the PFG Form ADV, Part 2A, Appendix 1, Wrap Fee Program Brochure.

## ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

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PFG does not engage solicitors or pay related or non-related persons for referring potential clients to our firm.

As set forth in our Code of Conduct, our firm and related persons are not permitted to accept any form of incentive 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

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We disclosed in Item 5 that our firm directly debits advisory fees from client accounts. Pursuant to SEC regulations, PFG could be deemed to have custody of client assets as a result of our ability to directly debit advisory fees from client accounts. However, PFG is deemed to have custody under Rule 206(4)-2 of the Investment Advisers Act of 1940 ("Custody Rule") because our firm and related persons have the authority to withdraw client assets maintained with a qualified custodian upon the adviser's instruction to the custodian, or to disburse client funds to a third party under a standing letter of instruction.

SEC issued a no-action letter (NAL) with respect to the Custody Rule in 2017. The NAL provided guidance on the Custody Rule as well as clarified that SEC staff does not interpret the authority to withdraw assets to include the limited authority to transfer a client's assets between the client's accounts maintained at one or more qualified custodians if the client has authorized the adviser in writing to make such transfers and a copy of that authorization is provided to the qualified custodians, specifying the client accounts maintained with qualified custodians.

PFG policy is for the firm and related persons to not have custody of client funds or securities. Our firm has adopted the necessary policies and procedures to meet the requirements of the NAL in conjunction with TD Ameritrade and Fidelity Investments. All clients receive account statements directly from the qualified custodian at least quarterly upon opening an account. Reports issued by our firm include a legend that recommends the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about our fees, account custody, safety or security of their assets and our custodial recommendations.

## ITEM 16. INVESTMENT DISCRETION

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As previously disclosed, PFG will act as a § 3(38) fiduciary investment manager when appointed by a plan sponsor, with discretionary authority over day-to-day investment decisions at the plan level.

Clients participating in our wrap fee Program give us discretionary authority over buying and selling decisions in their accounts. Program clients may limit, change or amend this authority by presenting us signed written instructions. However, PFG and its Principals reserve the right to reject the instructions and end the engagement. Please refer to the Form ADV, Part 2A, Appendix 1 Wrap Fee Program Brochure for more comprehensive information regarding the Program.



## ITEM 17. VOTING CLIENT SECURITIES

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As a § 3(38) fiduciary investment manager with responsibility for a plan's investment management process, we would have authority to vote client securities (proxies). The plan sponsor would forward proxies to our offices for evaluation. Following evaluation, a formal decision to vote the securities would be documented, or the proxies would be destroyed and not voted.

We do not vote proxies on behalf of clients. Our policy is for clients to maintain exclusive responsibility for (1) directing the way proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are contractually responsible for instructing each custodian to forward directly to them copies of all proxies and shareholder communications relating to their investments.

Should a client fail to provide such instructions to the custodian, or the instructions are disregarded causing proxy and/or shareholder materials to be delivered to our firm, while we will not vote the proxies on the client's behalf, we will forward the materials to the client and request that the client promptly instruct the custodian to deliver all future proxy and shareholder materials directly to the client. Thereafter, PFG will destroy, and not vote, any proxies we subsequently receive. However, we may provide clients with assistance regarding proxy issues if they contact us with questions.

## ITEM 18. FINANCIAL INFORMATION

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A registered investment adviser is required to disclose certain financial information should there be a financial condition that impairs its ability to meet contractual and fiduciary commitments to clients. Additional criteria for reporting include maintaining custody of client funds or financial securities requiring an annual surprise audit, requiring prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months, and having been the subject of a bankruptcy proceeding.

- Our firm does not meet the criteria for reporting and is not required to provide financial information.