



## **PSI CAPITAL MANAGEMENT**

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**March 4, 2022**

### **FORM ADV PART 2A DISCLOSURE BROCHURE**

This brochure provides information about the qualifications and business practices of Planning Strategies, Inc. dba PSI Capital Management (hereinafter "PCM"). If you have any questions about the contents of this brochure, please contact Scott Smith at (717) 207-7123. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission. Additional information about PSI Capital Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

PSI Capital Management is an SEC registered investment adviser. Registration does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment, dated March 16, 2021, we have made the following material changes to our Brochure:

- The Advisory Business section has been updated as follows:
  - Steven Mitchell is no longer an owner of the firm. As of 12/31/2021, his ownership was sold to the remaining partners of the firm, Scott Smith and Gregory Staub.
  - New disclosures have been added regarding IRA Rollover Recommendations.
  - Please refer to Item 4 below for more detailed information.

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## Item 4 Advisory Business

Planning Strategies, Inc. (*doing business as PSI Capital Management since April 2018*) was founded in September 2001 and is primarily based in Lancaster, PA. The majority owners of the firm are Scott Smith and Gregory Staub.

PCM provides financial planning, consulting, pension consulting, and investment management services. Prior to engaging PCM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with PCM setting forth the terms and conditions under which PCM renders its services (collectively the "*Agreement*"). Neither PCM nor the client may assign the *Agreement* without the consent of the other party. A transaction that does not result in a change of actual control or management of PCM is not considered an assignment.

This disclosure brochure describes the business of PCM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of PCM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on PCM's behalf and is subject to PCM's supervision or control.

### Financial Planning and Consulting Services

PCM may provide its clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment related matters). These services primarily include retirement planning, but may also include other pertinent areas.

PCM may also provide an investment analysis of an existing portfolio to determine if the portfolio is performing according to an individual's objectives in light of their risk tolerance. PCM makes recommendations for repositioning the portfolio, as needed.

In performing its services, PCM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. PCM may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if PCM recommends its own services. The client is under no obligation to act upon any of the recommendations made by PCM under a financial planning or consulting engagement or to engage the services of any such recommended professional, including PCM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of PCM's recommendations. Clients are advised that it remains their responsibility to promptly notify PCM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising PCM's previous recommendations and/or services.

### Investment Management Services

Clients can engage PCM to manage all or a portion of their assets on a discretionary or non-discretionary basis.

PCM allocates clients' investment management assets primarily among mutual funds (but may include other types of securities) in accordance with the investment objectives of the client. We also provide investment advice for clients currently holding variable annuities within their investment portfolio(s). Although persons providing investment advice on behalf of our firm will not receive commissions on the sale of variable annuities to clients, where clients have granted us trading authority, these accounts will be included for our annual AUM reporting obligation and may be included for calculating our annual advisory fee. Please see *Fees and Compensation* below for further information.

PCM tailors its advisory services to the individual needs of clients. PCM consults with clients initially and on an ongoing basis to develop a financial plan which determines risk tolerance, time horizon and other factors that may impact the clients' investment needs. PCM ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify PCM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon PCM's management services. Clients can impose reasonable restrictions or mandates on the management of their accounts.

### **Pension Consulting Services**

We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, which may involve coordination with the plan's third party administrator regarding setting up the plan, ongoing investment advice, administrative services, and employee education for the plan, are based upon requirements from the plan fiduciaries. Pension consulting services shall be detailed in a written agreement and be consistent with the parameters set forth in the plan.

In providing services to the Plan, our status is that of an investment adviser and other applicable state securities authorities as required by law, and we are not subject to any disqualifications under Section 411 of ERISA. In performing fiduciary services, we are acting as a non-discretionary fiduciary of the Plan as defined in Section 3(21) under ERISA.

### **Wrap Program**

We are a portfolio manager and sponsor of a wrap fee program, PSI Capital Management Wrap Program (the "Program"), which is a type of investment program that provides clients with access to several money managers or mutual fund asset allocation models for a single fee that includes administrative fees, management fees, and commissions. If you participate in our wrap fee program, you will pay our firm a single fee, which includes our money management fees, certain transaction costs, and custodial and administrative costs. We receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

Transactions for your wrap account are primarily executed by by TD Ameritrade, a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation or with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and the brokerage commissions charged by TD Ameritrade, Schwab or other broker-dealers, and the advisory fees charged by investment advisers. For more information concerning the Wrap Fee Program, please see *Appendix 1* to this Brochure.

### **Types of Investments**

We primarily offer advice on mutual funds and exchange traded funds ("ETF"). Additionally, we may advise you on any type of investment that we deem appropriate 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.

### **IRA Rollover Recommendations**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

### **Assets Under Management**

As of December 31, 2021, we provide continuous management services for \$260,370,936 in client assets on a discretionary basis, and \$1,997,161 in client assets on a non-discretionary basis. We also manage \$4,184,761 in client assets on a non-continuous basis.

## **Item 5 Fees and Compensation**

PCM offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management.

### **Financial Planning and Consulting Fees**

PCM may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$500 to \$1,500 on a fixed fee basis and/or up to \$200 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. PCM may separately charge clients for travel-related expenses. If the client engages PCM for additional investment advisory services, PCM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services. PCM will not require the prepayment of advisory fees six (6) months or more in advance and in excess of \$1,200 per client. Prior to engaging PCM to provide financial planning and/or consulting services, the client is required to enter into a written agreement with PCM setting forth the terms and conditions of the engagement. Generally, PCM requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

## Investment Management Fee

Our investment management fee is based on a percentage of your assets we manage.

<b>Assets Under Management</b>	<b>Annual Fee</b>
Below \$100,000	Negotiated Flat Fee
\$100,001 to \$199,999	1.25%

Our annual fee will not exceed the industry standard of 3.0% of your assets under management. PCM's annual fee of 1.25% is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by PCM on the last day of the previous quarter. PCM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

Our annual fee may alternatively be billed and payable quarterly in arrears based on the value of your account on the last trading day of each calendar quarter. If the investment management 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.

We deduct our fee directly from your account through the qualified custodian holding your funds and securities, then we will 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 a fee statement showing the amount of the fee, the value of the assets on which the fee is based, 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 dispersed from your account including the amount of the advisory fee paid directly to our firm.

We encourage you to reconcile our fee statement with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our fee statement and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this brochure.

PCM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. PCM does not, however, receive any portion of these commissions, fees, and costs.

## Fees Charged by Financial Institutions

As further discussed under Item 12 (below), PCM generally recommends that clients utilize the brokerage and custody services of TD AMERITRADE Institutional, a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("*TD Ameritrade*") or Schwab Advisor Services, a division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts.



PCM may only implement its investment management recommendations after the client has arranged for and furnished PCM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, TD Ameritrade or Schwab, any other broker-dealer recommended by PCM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of the *Program*, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to PCM's fee.

PCM's *Agreement* and the separate agreement with any *Financial Institutions* may authorize PCM to debit the client's account for the amount of PCM's fee and to directly remit that management fee to PCM. Any *Financial Institutions* recommended by PCM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to PCM. Alternatively, clients may elect to have PCM send an invoice for payment.

#### **Fees for Management During Partial Quarters of Service**

For the initial period of investment management services, the fees shall be calculated on a *pro rata* basis.

The *Agreement* between PCM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. PCM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Additions may be in cash or securities provided that PCM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. PCM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications. If assets are deposited into or withdrawn from an account after the inception of a quarter that exceed \$100,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter. PCM does not prorate its fees for deposits or withdrawals within a quarter that are less than \$100,000.

#### **Pension Consulting Services**

Because pension consulting services can encompass such a wide variety of services, our advisory fees for these customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis. Our hourly fee and our compensation arrangements for these services are comparable to the fees specified in *Financial Planning and Consulting Services* above.

Either party to the pension consulting agreement may terminate the agreement upon 30-days' written notice to the other party. The pension consulting fees will be prorated for the quarter in which the termination notice is given and any unearned fees will be refunded to the client.



## **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 executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf 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:

An employee will typically have four options:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. 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.

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:

1. 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.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a. 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.
  - b. 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.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 72.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - a. 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.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. 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.

9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.

### **Additional Fees and Expenses**

As part of our investment advisory 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 advisory 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 will generally include a management fee and other fund expenses. You will 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 fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this brochure.

### **Receipt of Insurance Commission**

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of 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.

## **Item 7 Types of Clients**

PCM provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size**

As discussed above in Item 4 and 5, as a condition for starting and maintaining a relationship, PCM generally imposes a minimum portfolio size of \$100,000 for investment management services and \$200,000 for participation in the *Program*. For clients with portfolios less than \$100,000, PCM offers its consulting services.

PCM, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. PCM only accepts clients with less than the minimum portfolio size if, in the sole opinion of PCM, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. PCM may aggregate the portfolios of family members to meet the minimum portfolio size.

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

### Methods of Analysis

PCM's primary method of analysis is Modern Portfolio Theory.

*Modern Portfolio Theory* is a theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. Modern Portfolio Theory seeks to construct an optimal portfolio by considering the relationship between risk and return, especially as measured by alpha, beta, and R-squared. The primary risk in using Modern Portfolio Theory is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that PCM will be able to accurately predict such a reoccurrence.

### Investment Strategies

In developing an investment strategy for clients, PCM employs a four-part strategy.

- *Establish Goals and Expectations:* PCM begins the process by meeting with clients, including gathering statements and documents as well as a thorough discussion about the client's needs, goals, and objectives.
- *Analyze and Evaluate:* PCM then analyzes a client's assets and liabilities, cash flow, debt management, investment strategies, risk management, and consideration of any special needs. Perhaps more importantly, it also includes less tangible aspects such as considering clients' risk tolerance, goals, values and priorities.
- *Develop and Implement:* During this phase, PCM prepares a financial plan that is commensurate with clients' values, temperament and risk tolerance. PCM takes the time to carefully review and explain each plan with the client so the client fully understands the overall financial picture. When implementing the plan, PCM often works closely with clients' other financial professionals, including accountants, attorneys, mortgage brokers, and insurance agents.
- *Ongoing Monitoring:* PCM believes that implementation of a financial plan is only the beginning. As relevant tax law changes, economic developments, and personal circumstances change, PCM continues the process of advising and counseling clients.

In developing client portfolios, PCM primarily utilizes mutual funds, but may incorporate other types of securities. PCM tailors its portfolios based on the individual needs of the client, and as such, certain client portfolios may hold additional types of securities.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") 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 its 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.

**Derivatives:** Derivatives are types of investments where the investor does not own the underlying asset. There are many different types of derivative instruments, including, but not limited to, options, swaps, futures, and forward contracts. Derivatives have numerous uses as well as various risks associated with them, but they are generally considered an alternative way to participate in the market. Investors typically use derivatives for three reasons: to hedge a position, to increase leverage, or to speculate on an asset's movement. The key to making a sound investment is to fully understand the characteristics and risks associated with the derivative, including, but not limited to counter-party, underlying asset, price, and expiration risks. The use of a derivative only makes sense if the investor is fully aware of the risks and understands the impact of the investment within a portfolio strategy. Due to the variety of available derivatives and the range of potential risks, a detailed explanation of derivatives is beyond the scope of this disclosure.

### **Market Risks**

The profitability of a significant portion of PCM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that PCM will be able to predict those price movements accurately.

### **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.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account

custodian of your individually selected accounting method. Please note that 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 the risk of loss. Clients should be prepared to bear such loss.

## **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**

### **Licensed Insurance Agents**

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Please see the *Fees and Compensation* section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

## **Item 11 Code of Ethics**

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. 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 with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required 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 persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

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

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. 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 persons associated with our firm shall have priority over your account in the purchase or sale of securities.



## Item 12 Brokerage Practices

We maintain relationships with several broker-dealers. While you are free to choose any broker-dealer or other service provider as your custodian, we recommend that you establish an account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to our firm, including but not limited to market information and administrative services that help our firm manage your account(s). We believe that the recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of the services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### **Economic Benefits/Soft Dollars**

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 are in addition to any benefits or research we pay for with soft dollars, and 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.

### **Recommendations to TD Ameritrade**

Factors which PCM considers in recommending *TD Ameritrade* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *TD Ameritrade* enables PCM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by PCM's clients comply with PCM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where PCM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. PCM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

PCM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct PCM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and PCM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by PCM (as described below). As a

result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, PCM may decline a client's request to direct brokerage if, in PCM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless PCM decides to purchase or sell the same securities for several clients at approximately the same time. PCM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among PCM's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among PCM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that PCM determines to aggregate client orders for the purchase or sale of securities, including securities in which PCM's *Supervised Persons* may invest, PCM shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. PCM shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that PCM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, PCM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist PCM in its investment decision-making process. Such research generally will be used to service all of PCM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because PCM does not have to produce or pay for the products or services.

#### **Software and Support Provided by Financial Institutions**

PCM may receive from *TD Ameritrade*, without cost to PCM, computer software and related systems support, which allow PCM to better monitor client accounts maintained at *TD Ameritrade*. PCM may receive the software and related support without cost because PCM renders investment management services to clients that maintain assets at *TD Ameritrade*. The software and support is not provided in connection with securities transactions of clients (i.e. not "soft dollars"). The software and related systems support may benefit PCM, but not its clients directly. In fulfilling its duties to its clients, PCM endeavors at all times to put the interests of its clients first. Clients should be aware however, that



PCM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence PCM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

There is no direct link between PCM's participation in the program and the investment advice it gives to its clients, although PCM receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Additionally, PCM may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. *TD Ameritrade* may also provide PCM with access to mutual funds with no transaction fees and certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to PCM by third party vendors.

These products or services may assist PCM in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help PCM manage and further develop its business enterprise. The benefits received by PCM's participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by PCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence PCM's recommendation of *TD Ameritrade* for custody and brokerage services.

### **Recommendations to Schwab**

We do not maintain custody of your assets that we manage; although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian.

We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client Referrals and Other Compensation). You should consider these conflicts of interest when selecting your custodian.

We do not open the account for you, although we may assist you in doing so. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, and we anticipate that most trades will be executed through Schwab, we can still use other brokers to execute trades for your account as described below (see "Your brokerage and custody costs").

### **How we select brokers/custodians**

We seek to recommend Schwab, a custodian/broker that will hold your assets and execute transactions. When considering whether the terms that Schwab provides are, overall, most advantageous to you when compared with other available providers and their services, we take into account a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)

- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security and stability
- Prior service to us and our clients
- Services delivered or paid for by Schwab
- Availability of other products and services that benefit us, as discussed below (see "Products and services available to us from Schwab")

### **Your brokerage and custody costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the un-invested cash in your account in Schwab's Cash Features Program.

Schwab has eliminated commissions for online trades of equities, ETFs and options (subject to \$0.65 per contract fee). This means that, in most cases, when we buy and sell these types of securities, we will not have to pay any commissions to Schwab. We encourage you to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement. If you choose to enter into a wrap fee arrangement, your total cost to invest could exceed the cost of paying for brokerage and advisory services separately. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [schwab.com/aspricingguide](https://schwab.com/aspricingguide). We do not charge our clients higher advisory fees for our non-wrap accounts based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers.

Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How we select brokers/custodians"). By using another broker or dealer you may pay lower transaction costs.

### **Products and services available to us from Schwab**

Schwab Advisor Services™ (formally called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through us.

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. Following is a more detailed description of Schwab's support services:

**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 do not directly benefit you.** Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a 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
- Facilitate payment of our fees from our clients' accounts
- 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
- Consulting on technology and business needs
- Consulting on legal and related compliance needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

### **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. We don't have to pay for Schwab's services. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/ custodians") and not Schwab's services that benefit only us.

**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**

We routinely require that you direct our firm to execute transactions through Schwab. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

**Aggregated Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "aggregated trading"). Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

**Mutual Fund Share Classes**

Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When we purchase, or recommend the purchase of, mutual funds for a client, we select the share class that is deemed to be in the client's best interest, taking into consideration cost, tax implications, and other factors. When the fund is available for purchase at net asset value, we will purchase, or recommend the purchase of, the fund at net asset value. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges.

**Item 13 Review of Accounts**

For those clients to whom PCM provides investment management services, PCM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least an annual basis. For those clients to whom PCM provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of PCM's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with PCM and to keep PCM informed of any changes thereto. Those clients to whom PCM provides financial planning and/or consulting services will receive reports from PCM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by PCM.

PCM contacts ongoing investment management clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

We will provide you with additional or regular written reports in conjunction with account reviews. Reports we provide to you will contain relevant account and/or market-related information such as an inventory of account holdings and account performance. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

## Item 14 Client Referrals and Other Compensation

PSI Capital Management may compensate consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If a client were referred to PSI Capital Management by a Solicitor, the client would receive a copy of this Disclosure Brochure along with the Solicitor's disclosure statement at the time of the referral. If an individual becomes a client, the Solicitor that referred such client to PSI Capital Management will receive a percentage of the advisory fee paid to PSI Capital Management for as long the client remains with Planning, or until such time as the Planning agreement with the Solicitor is terminated. Client will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon client entering into an advisory agreement with PSI Capital Management. Therefore, a Solicitor has a financial incentive to recommend PSI Capital Management to individuals for advisory services. This creates a conflict of interest; however, individuals are not obligated to retain PSI Capital Management for advisory services. Comparable services and/or lower fees may be available through other firms.

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our brokerage practices.

As disclosed under the "Fees and Compensation" section in this Brochure, persons providing investment advice on behalf of our firm are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

## Item 15 Custody

Your independent custodian will directly debit your account(s) for the payment of our advisory fees when you specifically authorize us to do so. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, 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. We will also provide our fee statement to you reflecting the amount of advisory fees deducted from your account.

If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us immediately at the telephone number on the cover page of this brochure.

## Item 16 Investment Discretion

PCM may be given the authority to exercise discretion on behalf of clients. PCM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. PCM is given this authority through a power-of-attorney included in the agreement between PCM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). PCM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## **Item 17 Voting Client Securities**

PCM is required to disclose if it accepts authority to vote client securities. PCM does not vote client securities on behalf of its clients.

## **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 \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

We have not filed a bankruptcy petition at any time in the past ten years.

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

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, please refer to the following policies:



(1) For accounts custodied at TD Ameritrade, as of April 1, 2014, if a profit results from correcting the trade, you will not retain the profit as all net gains (positive error accounts balances resulting from trade corrections) will be moved to a TD Ameritrade error account and subsequently donated to charity; and  
(2) For accounts custodied at Schwab, if an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Advisor will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

**Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit. Moreover, we do not determine whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf.