

## **Part 2A of Form ADV: *Firm Brochure***

### **Private Client Services**

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This brochure provides information about the qualifications and business practices of Private Client Services (PCS). If you have any questions about the contents of this brochure, please contact us at 502-451-0600 or [esampson@pcsb.net](mailto:esampson@pcsb.net).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

While Private Client Services is registered with the SEC as a Registered Investment Advisor (RIA), the registration alone does not imply any specific level of skill or training.

Additional information about Private Client Services also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). You can search this site by a unique identifying number, known as an SEC file number. The SEC file number for Private Client Services is 801-71475.

## **Item 2**   **Material Changes**

The SEC requires that an annual update of Form ADV Part 2A identify and discuss material changes that have occurred since the last annual update of this form, which was dated March 31, 2019.

The standard of materiality under the Advisors Act is whether there is a substantial likelihood that a reasonable investor or client would have considered such material changes to be important.

There are no material changes contained in this update.



### **Item 3**    **Table of Contents**

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## **Item 4 Advisory Businesses**

Private Client Services (PCS) is an independent Registered Investment Advisor that is registered with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940. PCS began conducting business in 2001. The principal place of business for PCS is located in Louisville, Kentucky.

PCS provides financial planning, general financial consulting and investment advisory services.

As of December 31, 2020:

- PCS provided investment advisory services on \$615,084,215 in client assets.
- The total number of client accounts was 1967.
- 20.5% of client assets were advised on a discretionary basis during 2021.
- 79.5% of client assets were advised on a non-discretionary basis during 2021.

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

- KFG Enterprises, Inc.
- Ernest A. Sampson

Private Client Services (“PCS”) offers services through our network of investment advisor representatives (“Advisor Representatives” or “IARs”). IARs may have their own legal business entities whose trade names and logos are used for marketing purposes and may appear on marketing materials or client statements. The Client should understand that the businesses are legal entities of the IAR and not of PCS. The IARs are under the supervision of PCS, and the advisory services of the IAR are provided through PCS. PCS has the arrangement described above with several Advisor Representatives. Please refer to your IAR’s Brochure Supplement (“ADV 2b”) for additional information.

### **PCS offers the following advisory services to our clients:**

#### **1. FINANCIAL PLANNING**

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

In general, the financial plan can address any or all of the following areas:

- PERSONAL: We review family records, budgeting, personal liability, estate information and financial goals.

- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to evaluate proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered may include the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, which may include a questionnaire completed by the client, and prepare the necessary reports and or other deliverables to satisfy the work as outlined in the engagement agreement. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is without obligation and is entirely at the client's discretion.

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

- Asset Allocation
- Income Tax
- Insurance Risk Management
- Investment Planning
- Education Planning
- Estate Planning
- Retirement Planning
- Benefits Planning

Typically, the financial plan is presented to the client within 90 days of the contract date, provided that all information needed to prepare the financial plan has been promptly provided, but may be longer depending on the specifics outlined in the engagement agreement.

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

## **2. CONSULTING SERVICES**

PCS provides financial consulting services to assist clients in the assessment and analysis of a wide variety of common financial decisions and transactions. Among the types of decisions for which PCS provides evaluation, analysis and assistance includes, but is not limited to:

- Mortgage refinancing
- Automobile lease versus buy
- Tax planning
- Insurance
- Budgeting

A consulting engagement is typically focused on a specific financial issue for which a client requires assistance, and PCS provides evaluation and recommendation on a case-by-case contractual basis. Recommendations are made without client obligation to engage with PCS for any other services that PCS offers.

## **3. INVESTMENT ADVISORY SERVICES**

PCS provides a framework for client financial discovery, risk profiling, asset allocation modeling, and suitability and compliance review.

Based on the needs of the individual client, PCS Investment Advisor Representatives (“IARs”) provide ongoing advice regarding the investment of client assets. Through a process of discussion and discovery, PCS IARs evaluate and analyze a given client’s particular financial goals, resources and constraints. Key determinants include the client’s investment objectives, their investment and income time horizons, their risk tolerance, and their anticipated liquidity needs. Our IARs then develop and recommend one or more suitable personal investment strategies to create and manage an investment portfolio that will assist the client in reaching their financial goals. As appropriate, we also discuss and consider a client’s prior investment history and experience with various investable asset classes, as well as family composition and background.

Upon completion of the discovery and risk profiling process, the IAR will make a recommendation to manage the client portfolio on one of five different investment platforms that PCS offers to our clients. PCS offers a proprietary PCS Asset Allocation Account (AAA) wrap fee platform, discretionary Private Wealth Management platform, PCS Advisor Model Portfolios platform, directly held American Funds F2 share portfolios, or a Third Party Asset Manager (TPAM) platform. Descriptions of all five options are detailed below. Given an individual client’s circumstances, there may be instances where a combination of platforms might be utilized.

The IAR will also present an appropriate benchmark, either a widely recognized market index or blend of market indices that is representative of the asset classes to be used in the construction of the client portfolio.

PCS IARs may manage accounts on either a discretionary or non-discretionary basis. Client consent for any and all trade recommendations or changes in asset allocation must be obtained prior to the

execution of such trades or allocation changes within all non-discretionary accounts. Clients who elect to assign discretionary authority to their IAR are not required to approve individual transactional activity. Discretionary authority will be limited to portfolio management activities and does not include any authority related to disbursement of funds from a client account without express instruction from the client for each money movement (Systematic disbursement with approved request excluded).

PCS Advisor Portfolios are managed on a discretionary basis and timing of changes to a portfolio makeup are made by the PCS Investment Committee.

Clients may impose reasonable restrictions on investing in certain asset classes, certain types of securities, specific industries or economic sectors, or securities issued by specific companies or entities.

Upon client request only, PCS assists in the development and utilization of a formalized Investment Policy Statement (IPS), which summarizes the general investment goals and objectives of a client and describes the strategies that the Advisor should employ to meet these objectives. Specific information on matters such as asset allocation, risk tolerance, and liquidity requirements would also be included in an IPS.

The supervision, monitoring and review processes for client accounts are described below in Item 13.

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

- Exchange-listed securities
- General Equity Securities (Stock) Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities

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

### **PCS ASSET ALLOCATION ACCOUNT (AAA)**

The PCS AAA platform is a proprietary wrap fee program consisting of five different asset allocation models, of develop a custom allocation for an account. The model allocations are strategic, providing five distinct fixed target allocations that are optimized across the entire risk and return spectrum. The recommended asset allocation for each of the five allocations provides a fixed target from which portfolio drift and necessary rebalancing can be calculated.



Within the allocation to each asset class, PCS IARs will work with the client to make individual security, mutual fund, exchange traded fund, or other investment vehicle recommendations to complete the construction of a given account. For non-discretionary accounts, because client consent is necessary, the implementation of a given allocation and subsequent trading and rebalancing does not occur without client acknowledgment and acceptance of any recommendations. Clients are under no obligation to take action on any recommendations.

Because each PCS IAR operates independently, individual security selection recommendations will likely result in accounts that have identical asset allocations, but different individual investments within each asset class. This may or may not result in different investment performance between accounts with similar asset allocations.

**PCS AAA Model Allocations**

<b>Model Name:</b>	<b>Description</b>	<b>Allocation</b>
<b>Conservative</b> <i>Investment objective: Preservation</i>	For investors who are primarily interested in preserving their investment principal. Investors who choose this model seek low volatility and a low probability of capital loss.	30% Equity 70% Fixed Income
<b>Moderate-Conservative</b> <i>Investment objective: Income and Moderate Growth</i>	For investors who seek moderate capital appreciation. Investors who choose this model are comfortable with only limited swings in the annual returns earned on their portfolios	50% Equity 50% Fixed Income
<b>Moderate</b> <i>Investment objective: Balanced growth</i>	For investors who seek higher potential growth with relatively stable capital appreciation. Investors who choose this model feel that maximizing returns is equally important to minimizing risk.	60% Equity 40% Fixed Income
<b>Moderate-Aggressive</b> <i>Investment objective: Capital growth</i>	For investors who seek high potential growth. Investors who choose this model are willing to accept an above-average risk in exchange for greater potential gains.	80% Equity 20% Fixed Income
<b>Aggressive</b> <i>Investment objective: Aggressive growth</i>	For investors who want to build significant wealth over time, and are willing to accept greater risk to do so. Investors who choose this model will tolerate large market fluctuations in value in exchange for potentially greater returns.	100% Equity



## **PCS WEALTH MANAGEMENT**

The PCS Wealth Management (PWM) platform is a proprietary wrap fee discretionary program that allows clients to permission their IAR to make investment decisions on their behalf in order to design investment strategies that align with the client risk tolerance and investment goals and objectives. Models are created and driven by the assigned IAR. Discretion is limited to the investment selection within the account and does not include discretion related to money movement into or from the client account.

The PCS Wealth Management platform has specific guidelines and restrictions related to the type of investments that may be utilized within the client account, as well as oversight procedures to monitor activity and evaluate performance within the account.

Because each account is customized for each client, individual security selection recommendations will result in different individual investments within each account. This may or may not result in different investment performance between accounts with similar asset allocations.

## **PCS ADVISOR MODEL PORTFOLIOS**

The PCS Advisor Model Portfolio platform is a wrap fee program consisting of 8 qualified and 8 non-qualified models. The portfolios are strategic, providing solutions across five distinct risk bands with fixed target allocations that are optimized across the entire risk and return spectrum. The asset allocation for each of the portfolios provides a fixed target from which portfolio drift and rebalancing is calculated.

Within each portfolio, the PCS Investment Committee will implement portfolio changes disseminated by the firm's Outsourced Chief Investment Officer (Fiducient Advisors) to complete the construction and ongoing management of a given portfolio. The PCS Investment Committee will evaluate recommended changes to portfolios provided by Fiducient but may or may not accept all changes.

The PCS Investment Committee is made up of members representing Research, Marketing, Compliance, Operations, and Executive Management.

## **AMERICAN FUNDS DISTRIBUTORS, INC. F2 SHARE DIRECTLY HELD FUNDS**

Private Client Services has the ability to actively manage advisory accounts directly held through American Funds Distributors, Inc. (American Funds) in share classes that do not have an up-front or contingent deferred sales charge. Class F-2 shares are designed for investors who choose to compensate their financial professional based on the total assets in their portfolio, rather than commissions or sales charges. This arrangement is often called an "asset-based" or "fee-based" program. Class F-2 shares do not carry a 12b-1 "trailing commission". Fund expenses will vary with each investment selection depending on multiple factors as outlined in the fund prospectus. Please note that Class F-2 shares are not available for purchase in certain employer-sponsored retirement plans, unless they are part of a qualifying fee-based program.

American Funds F-2 funds are managed by advisors on either a discretionary or non-discretionary basis based on the agreement in place with the client, and according to the client's individual needs,

goals and objectives. The advisory fee charged for these accounts is 0.50% flat rate annually. These fees are calculated and debited by American Funds quarterly in arrears based on an average daily balance of the account(s). The fees for these accounts are non-negotiable. The accounts are subject to a \$10 setup fee and \$10 annual fee, but not subject to any additional trading related fees through the American Funds platform. The client must acknowledge and agree to allow American Funds to liquidate shares of the funds held in order to cover any applicable advisory or account service fees.

### **THIRD PARTY ASSET MANAGERS (TPAM)**

PCS has engaged in agreements with several unaffiliated asset managers, known as TPAMs (Third Party Asset Manager). TPAMs offer clients of PCS additional services, investment flexibility, and access to institutional and alternative asset managers. Such access has historically been available only to large institutions, high net worth individuals and accredited investors.

PCS has established a due diligence process to investigate various aspects of each TPAM, including evaluation and analysis of historical investment performance, portfolio manager biographies and backgrounds, trading and operations policies, compliance, code of ethics and overall business enterprise risk, and may also be reviewed by the firm's OCIO, Fiducient Advisors.

The client financial discovery and risk profiling process is similar to the process employed for PCS AAA clients but customized by the TPAM to suit the array of available investment alternatives that a given TPAM may offer. Upon completion of the discovery and TPAM risk profiling processes, PCS IARs will make a recommendation to the client as to which TPAM offers a suitable platform and selection of potential portfolios to meet client objectives. Factors considered in making this determination include account size, risk tolerance, the investment philosophy of the selected TPAM, the suitability of the products offered by the TPAM, and the opinion of the client. Clients should refer to the selected TPAM's Firm Brochure or other disclosure documents for a full description of the services offered by each firm.

PCS provides supervisory support and periodic compliance testing to ascertain that client accounts remain appropriate for the TPAM asset allocation model. PCS IARs also conduct periodic account reviews designed to capture any changes in client circumstances and IARs will then work with the client to adjust investment strategies as necessary to reflect identified changes.

#### *Monitoring of Investment Performance:*

We monitor client investments and the performance of their portfolios on a periodic basis, based on the procedures and timing intervals delineated in the supervisory procedures of Private Client Services. Investment performance is reported to the client at least quarterly, and a suitability review of investment objectives, risk tolerances and the selected benchmark occurs, (unless specifically denied by the client) at least once annually. IAR's may make recommended changes to a client's investment allocation/portfolio as changes in situation and/or client objective or risk tolerance are identified.

#### *Employee Communications:*

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will

be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

## **Item 5 Fees and Compensation**

### **PCS Asset Allocation Account (AAA), Private Wealth Management (PWM), and PCS Advisor Model Portfolio Fees:**

The annualized fee for AAA, PWM and PCS Advisor Model Portfolios is charged as a percentage of assets under management, according to the following blended fee schedule:

<b><u>Total Account Market Value</u></b>	<b><u>Maximum Annual Fee</u></b>
\$50,000 - \$249,999	2.00%
\$250,000 - \$499,999	1.75%
\$500,000 - \$999,999	1.50%
Over \$1,000,000	1.25%

Accounts custodied through Pershing, LLC, fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the total market value of the client's account at the end of the previous quarter. Fees will be calculated by Pershing LLC and debited from the account in accordance with the client authorization in the Client Services Agreement. A minimum annual account charge of \$80 applies, regardless of account size, which may, in certain instances, result in the aggregate client fee exceeding 2%.

PWM and PCS Advisor Model Portfolio accounts billed through Orion and held through Pershing LLC, Charles Schwab, TD Ameritrade, and/or Pershing Advisor Solutions, have fees billed monthly, in arrears, based upon the average daily balance of the month. Fees are debited from the account in accordance with the client authorization in the Client Services Agreement. A minimum annual fee of \$250.00 will apply to all discretionary accounts, which may, in certain instances, result in the aggregate client fee exceeding 2%. Should the advisory agreement be terminated by either the client or by PCS, a pro rata fee is charged to the client based on the number of days left in the billing period.

A minimum of \$50,000 of assets under management is required for this service. This minimum account size may be negotiable under certain circumstances. Private Client Services may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. The firm reserves the right to waive the account minimum.

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

Discounts may be offered to family members and friends of associated persons of our firm as stated in the contract between the advisor and each client.

### **American Funds F2 Shares Directly Held Program Fees:**

The advisory fee charged for the management of the American Funds F2 share directly held Program is a flat 0.50% annual advisory fee.

### **Third Party Asset Manager (TPAM) Fees**

Clients participating in TPAM managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

We do not enter into an advisory agreement with any client nor do we charge a fee to any client for referrals to third party asset manager. Our fees for such referrals are paid by the referred TPAM who shares with our firm a percentage of the fees received from the client. Client advisory fees are not increased in any way as a result of our referral of any clients to a TPAM. Clients should refer to the TPAM's disclosure document for information regarding its fees, billing practices, minimum required investments and termination of advisory agreements.

### **FINANCIAL PLANNING FEES**

Private Client Services' Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into an engagement agreement with any client.

Our Financial Planning fees may be calculated and charged on an hourly basis, ranging from \$100 to \$500 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

Our Financial Planning fees may be calculated and charged on a fixed fee basis, typically ranging from \$250 to \$25,000, depending on the complexity and specific arrangement reached with the client.

The minimum retainer upon completion of our initial fact-finding session with the client is 50% of the agreed upon planning fee. The balance is due upon completion and delivery of the plan, or a client may be on a quarterly billing cycle if agreed upon at the beginning of the engagement.

The client may be billed quarterly in arrears based on actual hours accrued or as 1/4 of a yearly flat rate as per the engagement agreement.

PCS has a conflict of interest regarding financial planning and consulting services. Implementation of the recommendations made through financial planning or consulting services through PCS, acting either in its capacity as an RIA or Broker/Dealer, will result in additional costs to the client. Financial planning clients are under no obligation to utilize PCS to implement recommendations made during the financial planning process.

## CONSULTING SERVICES FEES

Private Client Services' Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Services fees may be calculated and charged on an hourly basis, ranging from \$100 to \$500 per hour. An estimate for the total hours is determined at the start of the advisory relationship.

Our Consulting Services may be calculated and charged on a fixed fee basis, typically ranging from \$250 to \$5,000 subject to the specific arrangement reached with the client.

Some Consulting Services may be offered to clients on a subscription basis utilizing either an online or system-based platform where the fee for service is collected on a recurring basis. The fees for these services will differ depending on the subscription selected by the client.

## GENERAL INFORMATION

### ***Termination of the Advisory Relationship.***

An Investment Management Agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be refunded. Where accounts are billed in arrears, a pro rata charge will occur according to the number of days remaining in the billing period.

### ***Mutual Fund or ETF Fees:***

All fees paid to Private Client Services for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. Product provider fees and expenses are described in each fund's prospectus. These fees may include a management fee, fund administrative expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial sales charge.

There are generally various share classes of mutual funds available for purchase by a client. Each share class has varying fee schedules which may include either an up-front fee, contingent deferred sales charge (CDSC), and/or 12b-1 trail commission. PCS Advisors strive to recommend the lowest cost share class available when making recommendations for portfolio design. There may be situations where the lowest cost option is not available. PCS does not allow the purchase of a C-Share mutual fund inside an advisory account. C-Share funds have a contingent deferred sales charge as well as higher internal expenses than other share class funds. Additionally, any client account that is subject to a mutual fund that pays out a 12b-1 (trail) fee paid to Private Client Services will receive a return of the 12b-1 fee into the client account.

A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm, which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.



***Additional Fees and Expenses:***

In addition to the advisory fees paid to Private Client Services, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees charged by the Independent Managers (charged to all clients other than certain legacy clients whose agreements will reflect the inclusion of these fees), margin costs, charges imposed directly by a mutual fund or ETF in a client’s account, as 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. The Firm’s brokerage practices are described at length in Item 12, below.

***Disclosure of Conflict of Price Differential:***

PCS places customer accounts with several custodians, currently Pershing LLC, Pershing Advisor Solutions, Charles Schwab, and TD Ameritrade. Each custodian assesses different charges for its services; therefore, this presents a conflict of interest as PCS earns a different level of compensation at one custodian versus another based on various factors such as individual account size or overall firm assets under management.

Moreover, the advisor receives access to software and related support as part of its relationship with each custodian. The software and related systems support may benefit the advisor, but not its clients directly. In fulfilling its duties to its clients, the advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits from a custodian creates a potential conflict of interest since these benefits may influence the advisor's recommendation of the custodian over one that does not furnish similar software, systems support, or services.’

***Direct Fee Debit***

Clients generally provide Private Client Services and/or certain independent managers with the authority to directly debit their accounts for payment of the investment advisory fees. The financial institutions that act as the qualified custodian for client accounts, from which Private Client Services retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Private Client Services. Alternatively, clients may elect to have Private Client Services send a separate invoice for direct payment.

***Commissions and Sales Charges for Recommendations of Securities***

Clients can engage certain persons associated with Private Client Services (PCS) (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with PCS.

Under this arrangement, the Firm’s Supervised Persons, in their individual capacities as registered representatives of PCS, may provide securities brokerage services and implement securities transactions under a separate commission-based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to PCS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. PCS may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with PCS.

A conflict of interest exists to the extent that PCS recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made as part of an advisory agreement by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that PCS, in its sole discretion, deems appropriate, PCS may provide its investment advisory services on a fee-offset basis. In this scenario, PCS may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as Registered Representatives of PCS.

***Grandfathering of Minimum Account Requirements:***

Pre-existing advisory clients are subject to Private Client Services' minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

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

Private Client Services does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7      Types of Clients**

Private Client Services provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- Families
- High net worth individuals
- Trust and Estates
- Charitable organizations
- Pension plan sponsors
- Corporations or other businesses not listed above

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

### **METHODS OF ANALYSIS**

All PCS Investment Advisor Representatives operate independently of each other in the utilization of available sources of investment research, economic forecasts, and investment decision making tools. PCS provides a strategic asset allocation framework to all of our IARs for the purpose of creating suitable asset allocation model choices for any given client. The individual IARs will exercise their own discretion regarding the research and analysis tools necessary to support investment decision making, security selection and portfolio construction. Portfolio construction will consist of investment in individual securities, mutual funds, exchange traded funds, unit investment trusts, options or other investment vehicles. PCS supervises and monitors both the suitability of asset allocation and individual security selections on an ongoing basis. We use the following methods of analysis in formulating our investment advice and/or managing client assets:



**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors, including the overall economy, industry conditions, and the financial condition and management of the company itself, to determine if the 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.** Technical analysis is the evaluation of the price and volume trading history and other associated characteristics to help identify price levels where a security might be purchased or sold. Measures of relative strength, trading volume, price support and resistance, price momentum and volatility are some of the attributes of a security which are taken into account when making purchase or sale decisions.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to achieve investment objectives over the course of a market cycle and in different economic environments. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap or duplication in the underlying investments held in other funds in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine that they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A 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 or ETF, 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 the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Asset Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent TPAMs in an attempt to determine if that manager has demonstrated an ability to achieve investment objectives over the course of a market cycle and in different economic environments. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities that we purchase and sell, the rating agencies that review these securities,

and other publicly-available sources of information about these securities, are providing accurate, timely and unbiased data and analysis. 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.

### **Investment and Trading Techniques Employed**

We may use one or more of the following strategies in managing client accounts, provided that such strategies are 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:

1. We believe the securities to be currently undervalued, and/or;
2. 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 a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We may purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Margin transactions.** We may purchase securities for your portfolio with money borrowed from your brokerage account. This allows you to purchase more securities than you would be able to with your available cash and allows us to purchase securities without selling other holdings.

**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 are calls and puts:

1. A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
2. A put gives us the holder the right to sell an asset at a certain price within a specific period of time. 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 in a client portfolio.

We use "covered calls", in which we sell an option on security currently held in a portfolio. In this strategy, the client receives a fee for making the option available, and the person purchasing the option

has the right to buy the security from the owner/client at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that is purchased and a call option that is sold, with both transactions occurring simultaneously) for the same underlying security. This effectively puts the owner/client on both sides of the market, but with the ability to vary price, time and other factors.

***Risk of Loss.*** Securities investments are not guaranteed and you may lose money on your investments. Key to a successful relationship with your investment advisor is an accurate and realistic evaluation of your tolerance for risk taking and the ability to absorb adverse investment performance. We ask that you work with us to help us best understand your tolerance for risk.

## **Item 9     Disciplinary Information**

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

The following are disciplinary events relating to our firm and/or our management personnel:

**Neither this firm nor its management personnel have 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 team.**

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

### ***FIRM Registrations:***

In addition to Private Client Services being a Registered Investment Advisor, our firm is registered as a FINRA member broker/dealer. A list of affiliated broker/dealers is specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

### ***MANAGEMENT PERSONNEL Registrations:***

Management personnel of our firm are registered as Registered Representatives of Private Client Services, an affiliated FINRA member broker/dealer.

While Private Client Services and these individuals endeavor at all times to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Clients should be aware that the receipt of additional compensation by Private Client Services and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Private Client Services endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a Registered Investment Advisor; we take the following steps to address this conflict:

1. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to

our firm's advisory fees.

2. We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies, and that transactions executed in client accounts are entered only with client consent.
3. We disclose to the client in a separate disclosure document the compensation we receive in exchange for the client's referral to the selected investment advisor.
4. We conduct initial and periodic due diligence on the selected investment advisors to establish that the advisors are suitable to recommend to our clients
5. We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance.
6. Our firm's management conducts periodic reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances.
7. We require that our employees seek prior approval of any outside employment or business activity so that we may ensure that any conflicts of interests in such activities are properly addressed.
8. We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm.
9. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

As previously disclosed, we recommend the services of various registered investment advisors to its clients. In exchange for this recommendation, we receive a referral fee from the selected investment advisor. The fee received by us is typically a percentage of the fee charged by that investment advisor to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment advisor by the client. We do not charge the client any fees for these referrals. We will only recommend advisors that pay us a referral fee.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment Advisors Act of 1940. As such, all appropriate disclosure shall be made, and all applicable Federal and State laws will be observed.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Private Client Services 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.

Private Client Services' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [esampson@pcsbdd.net](mailto:esampson@pcsbdd.net), or by calling us at 502-451-0600.

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

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

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account, thereby preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

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 and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded 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 where their decision is a result of information received as a result 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 being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.



5. 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/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
8. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
9. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
10. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
11. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
12. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer, investment advisor representatives of another registered investment advisor, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12    Brokerage Practices**

Private Client Services receives benefits such as technology, marketing, and or other expenses paid for by third parties which are not predicated on any sales activities, asset transfer, or other asset driven criteria.

Private Client Services participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Private Client Services receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.)

Private Client Services utilizes brokerage services of Pershing Advisory Solutions (PAS). PAS offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Private Client Services also receives some benefits from PAS through its brokerage services.

Private Client Services will block trades 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, so long as transaction costs are shared equally and on a pro-rated basis

between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Private Client Services will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Private Client Services' block trading policy and procedures are as follows:

1. 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 Private Client Services or our firm's order allocation policy.
2. The trading desk in concert with the program manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The program manager must reasonably believe that the order aggregation will benefit, and will enable Private Client Services to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
8. Private Client Services' client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.



9. Funds and securities for aggregated orders are clearly identified on Private Client Services' records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

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

### **Private Client Services Asset Allocation Account (AAA) and Private Wealth Management accounts.**

**REVIEWS:** While the underlying securities and transaction activity within accounts are continually monitored by Advisory representatives, these accounts are also offered a client review at least annually. Accounts are reviewed in the context of the client's investment objectives, risk tolerance and time horizon, as well as the target asset allocation for each model portfolio and any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, significant contributions or withdrawals from the portfolio, or the market, political or economic environment.

These accounts are also periodically reviewed by designated Firm Compliance and Supervisory Principals.

**REPORTS:** Private Client Services, through our custodians, provide monthly/quarterly, or ad hoc reports summarizing account performance, transaction history, balances and current holdings. The client is also reminded to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### **PCS Advisor Model Portfolios**

**REVIEWS:** Advisor Portfolios are continually monitored to ensure portfolio compliance with stated objectives, risk tolerance, and allocation. Advisor Portfolios are subject to rebalancing of portfolio holdings depending on the amount of "Drift" (or changes to portfolio values based on performance of individual holdings within the portfolio).

Advisor Portfolios are reviewed periodically to identify any potential changes in portfolio holdings in order to maintain the portfolio objective, risk tolerance, or to improve potential returns within the portfolio.

**REPORTS:** Private Client Services provides monthly/quarterly or ad hoc reports summarizing account performance, transaction history, balances and current holdings. The client is also reminded to notify their advisor if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### **Third Party Money Managers (TPAM)**

**REVIEWS:** These client accounts should refer to the TPAM's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment advisor.

PCS periodically reviews TPAM reports summarizing account performance, transaction and rebalancing history, balances and current holdings. PCS monitors the suitability of asset allocation models as selected by the client in the TPAM account agreement.

These accounts are reviewed by: RIA Program Manager and/or Designated Firm Principal.

**REPORTS:** These clients should refer to the TPAM's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reports provided by that independent registered investment advisor.

Private Client Services does not typically provide reports in addition to those provided by the independent registered investment advisor selected to manage the client's assets.

### **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement agreement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted.

All deliverables called for under financial planning engagement agreements are monitored and delivery verified by the RIA Program Manager.

**REPORTS:** Financial Planning clients will receive a completed financial plan per the engagement agreement (results of the engagement agreement will vary depending on services requested. Final report, if applicable, may be in physical or electronic format). Additional reports will not typically be provided unless otherwise contracted for within the engagement agreement.

### **CONSULTING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

**REPORTS:** These client accounts will receive reports as contracted for at the inception of the advisory engagement.

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

Private Client Services allows for solicitor agreements and sharing of compensation based on state requirements. Comprehensive end client disclosures are required by both the solicitor and end client. It is Private Client Services' policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

As disclosed under Item 12, above, Private Client Services participates in TD Ameritrade's institutional

customer program and Private Client Services may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Private Client Services' participation in the program and the investment advice it gives to its Clients, although Private Client Services receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Private Client Services 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 Advisor by third party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by Private Client Services' related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Private Client Services but may not benefit its Client accounts. These products or services may assist Private Client Services in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Private Client Services manage and further develop its business enterprise. The benefits received by Private Client Services or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Private Client Services endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Private Client Services or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Private Client Services' choice of TD Ameritrade for custody and brokerage services.

Private Client Services may recommend/require that clients establish brokerage accounts 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. The final decision to custody assets with Schwab is at the discretion of the Advisor's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Private Client Services is independently owned and operated and not affiliated with Schwab. Schwab provides Private Client Services with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

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

Schwab also makes available to Private Client Services other products and services that benefit Private Client Services but may not benefit its clients' accounts. These benefits may include national, regional or Private Client Services specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of Private Client Services by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist Private Client Services in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Private Client Services fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of Private Client Services accounts, including accounts not maintained at Schwab Advisor Services. Schwab Advisor Services also makes available to Private Client Services other services intended to help Private Client Services manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to Private Client Services by independent third parties. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Private Client Services. While, as a fiduciary, Private Client Services endeavors to act in its clients' best interests, Private Client Services recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Private Client Services of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **Item 15**    **Custody**

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

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

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among

other things. Clients should contact us directly if they believe that there may be an error in their statement.

SEC Rule 206(4)-2 states that an adviser authorized to deduct advisory fees or other expenses directly from a client's account has access to, and therefore has custody of, the client funds and securities in that account. In this regard, PCS does have custody of client assets; However PCS does not have constructive custody of client assets or hold client assets away from a registered custodian (Pershing, LLC, Pershing Advisory Solutions, and TD Ameritrade hold all customer assets on behalf of PCS).

## **Item 16 Investment Discretion**

As previously disclosed in Item 4 of this brochure, Private Client Services' IARs may manage client accounts on either a discretionary and/or non-discretionary basis. Client consent for any and all trade recommendations or changes in asset allocation must be obtained prior to the execution of such trades or allocation changes within all non-discretionary accounts.

Clients who elect to assign discretionary authority to their IAR are not required to approve individual transactional activity. Discretionary authority will be limited to portfolio management activities and do not include any authority related to disbursement of funds from a client account without express instruction from the client for each money movement (Systematic disbursement with approved request excluded).

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which 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 responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18 Financial Information**

As an advisory firm, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Private Client Services has no additional financial circumstances to report.

Private Client Services has not been the subject of a bankruptcy petition at any time during the past ten years.