



THE PACIFIC CENTER  
FOR FINANCIAL  
S E R V I C E S

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of The Pacific Center for Financial Services (hereinafter “PCFS” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. 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. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.



## Item 2. Material Changes

In this Item, PCFS is required to discuss any material changes that have been made to the brochure since the last annual amendment dated September 28, 2022. While the format and general language of the brochure have been overhauled, no substantive changes have been made.



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## Item 4. Advisory Business

PCFS offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to PCFS rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with PCFS setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

PCFS has been registered as an investment adviser since 1997 and is owned by the Schliesser Family Trust. Stephen F. Schliesser is the founder and President. As of June 30, 2023, PCFS had \$758,515,730 in assets under management, of which \$704,034,988 were managed on a discretionary basis, and \$109,850,845 were managed on a non-discretionary basis.

While this brochure generally describes the business of PCFS, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or other persons who provide investment advice on PCFS’s behalf and are subject to the Firm’s supervision or control.

### Financial Planning and Consulting Services

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Financial planning services begin with collecting data on the client’s current financial profile; reviewing the financial situation, goals and objectives; and preparing a written report. The reports, usually brief, can include specific recommendations to purchase, hold, or sell securities. More comprehensive financial plans can be prepared based on client need, which could incorporate recommendations on asset management, tax management, estate planning, and risk management, as well as business interests and investment policy. The Firm may also hold seminars, which can include presentations on various securities, insurance products, or on financial planning strategies.

In performing these services, PCFS is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. PCFS recommends certain clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage PCFS or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by PCFS under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising PCFS’s recommendations and/or services.



## **Investment Management Services Through the Managed Account Program (“MAP”)**

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MAP portfolios invest in both “no-load” and certain “load-waived” mutual funds, as well as selected stocks, ETF’s and bonds. The Firm’s services include discretionary or non-discretionary management. MAP may utilize asset allocation models or research developed by PCFS in conjunction with other independent and unaffiliated investment advisors and/or service providers. But PCFS reviews those models and research and makes all final determinations on the recommendations to clients. The service is designed to offer clients a diversified, long-term approach to their personal investment goals and objectives through asset allocation, monitoring, and re-balancing.

Services are based on the individual needs of the client. An initial interview and data gathering questionnaire is undertaken to determine the client's financial situation and investment objectives, and to give the client the opportunity to impose reasonable restrictions on the management of the account. Clients have the ability to leave standing instructions with the Investment Adviser Representative (“IA Rep”) to refrain from investing in particular securities or types of securities or invest in limited amounts of securities. Quarterly, the IA Rep will notify the client in writing to contact the IA Rep if there have been any changes in the client's financial situation or investment objectives, or to impose or modify account restrictions. The IA Rep will contact or attempt to contact the client annually on these matters. It is the client's responsibility to notify the IA Rep at any time if there are changes. Clients may call in at any time during normal business hours to discuss directly with the IA Rep about the client's account, financial situation, or investment needs.

## **Item 5. Fees and Compensation**

PCFS offers services on a fee basis, which includes fixed and/or hourly fees, as well as fees based upon assets under management. Additionally, certain of the Firm’s Supervised Persons, in their individual capacities, offer securities brokerage services and/or insurance products under a separate commission-based arrangement.

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

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PCFS charges a fixed and/or hourly fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but range from \$250 to \$2,000 on a fixed fee basis and/or \$200 on an hourly basis, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement. Hourly fees are billed in arrears. Fixed fees are due and payable in full, in arrears, upon completion of the work agreed upon.



## Investment Management Fees

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PCFS offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee varies in accordance with the following fee schedule:

<u>PORTFOLIO VALUE</u>	<u>BASE FEE</u>
Up to \$249,999	1.25%
\$250,000 – \$749,999	1.00%
\$750,000 - \$1,249,999	0.85%
\$1,250,000 - \$1,749,999	0.80%
Above \$1,750,000	Negotiable

The annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by PCFS on the last day of the quarter as determined by a party independent from the Firm (including the client's custodian or another third-party).

The fee will be calculated on the full portfolio value to include cash or margin balances. PCFS does not recommend margin or large cash balances. Exceptions to the fee calculation on cash or margin chosen by the client (the Firm does not recommend margin) may be specified in the IPS. The Firm may, in its sole discretion, not include cash in determining the fee, especially where a client has a high percentage of cash for reasons other than the Firm's investment management decision.

For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage PCFS for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

## Fee Discretion

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PCFS may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention, pro bono activities, or competitive purposes.



## **Additional Fees and Expenses**

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In addition to the advisory fees paid to PCFS, clients 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 include securities brokerage commissions, transaction fees, custodial fees, margin and other borrowing 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.

## **Direct Fee Debit**

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Clients provide PCFS 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 the Firm 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 PCFS. There are a small number of clients that the Firm has agreed to send a separate invoice for direct payment, but the Firm does not generally accommodate these requests.

## **Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to PCFS’s right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client’s account. Clients can withdraw account assets on notice to PCFS, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. PCFS may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (*e.g.*, contingent deferred sales charges) and/or tax ramifications.

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

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Clients can engage certain persons associated with PCFS (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 PCFS.



Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Cetera Advisor Networks, LLC ("Cetera"), can provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons are entitled to a portion of the brokerage commissions paid to Cetera, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. PCFS can also recommend no-load or load-waived funds, where no sales charges are assessed, but where the Supervised Person receives other forms of compensation. Prior to effecting any transactions, clients are required to enter into a separate account agreement with Cetera.

A conflict of interest exists to the extent that a Supervised Person of PCFS recommends the purchase or sale of securities through a brokerage relationship where that Supervised Person receives commissions or other additional compensation as a result of that recommendation (the "Brokerage Relationship"). Because the Supervised Persons receive compensation in connection with the sale of securities in the Brokerage Relationship, a conflict of interest exists as such Supervised Persons, have an incentive to recommend more expensive securities or services to clients where such Supervised Persons earn more compensation with respect to the sale of such securities through the Brokerage Relationship rather than through an advisory relationship with the Firm. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons to engage in the Brokerage Relationship are in the best interest of that client. Clients should understand that the investments made in the Brokerage Relationship are not receiving advisory services from the Firm. Therefore, the Firm does not have a fiduciary duty over the Brokerage Relationship recommendations.

## **Termination**

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For Financial Plans, the client may terminate the Advisory Agreement at any time. At such time, an invoice will be provided, based on time and effort expended before termination and payment will be due upon receipt. The Advisory Agreement for Financial Plans terminates upon delivery of the plan or services.

For MAP, services will continue until either party terminates the Agreement on five (5) days written notice. If termination occurs prior to the end of a calendar quarter, the client will be invoiced for fees due on a pro-rata basis.

## **Retirement Plan Rollover Recommendations**

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When PCFS and its IA Reps provide any rollover recommendations (e.g. from client's employer's retirement plan, such as a 401(k), 457, or ERISA 403(b) account to individual retirement accounts), they are acting as fiduciaries within the meaning of Title I of the ERISA and/or the Internal Revenue Code ("IRC"), as applicable, which are laws governing retirement accounts. If client elects to roll the assets to an IRA PCFS will manage for you, the Firm will charge you an advisory fee. This financial incentive creates





a conflict of interest. Clients are under no obligation to complete the rollover. Moreover, if client does complete the rollover, client is under no obligation to have the assets in an IRA managed by the Firm.

Due to the conflict of interest when the Firm makes rollover recommendations, it operates under rules that require the Firm to act in the client's best interests and not put the Firm's interests ahead of the client's. These rule's provisions require the Firm to:

- meet a professional standard of care when making investment recommendations (i.e. give prudent advice);
- never put the Firm's financial interests ahead of the client's when making recommendations (i.e. give loyal advice);
- avoid misleading statements about conflicts of interest, fees, and investments;
- follow policies and procedures designed to ensure that the Firm gives advice that is in the client's best interests;
- charge no more than a reasonable fee for services; and
- give clients basic information about conflicts of interest.

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, the client should consider the costs and benefits of a rollover. Note that an employee will typically have four options in this situation:

1. leaving the funds in their 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; or
4. rolling the funds into an IRA rollover account.

Each of these options has positives and negatives. Because of that, along with the importance of understanding the differences between these types of accounts, PCFS will provide clients with a written explanation of the advantages and disadvantages of both account types and the basis for the Firm's belief that the rollover transaction we recommend is in the client's best interests.

As an alternative to providing client with a rollover recommendation, PCFS may instead take an entirely educational approach in accordance with the U.S. Department of Labor's Interpretive Bulletin 96-1. Under this approach, the Firm's role will be limited only to providing clients with general educational materials regarding the pros and cons of rollover transactions. PCFS would make no recommendation to the client regarding the prospective rollover of assets and the client is advised to speak with tax and legal advisors with respect to rollover decisions. As part of this educational approach, the Firm will discuss general information about some or all of the following topics: the general pros and cons of rollover transactions; the benefits of retirement plan participation; the impact of pre-retirement withdrawals on retirement income;



the investment options available inside the plan account; and high level discussion of general investment concepts (*e.g.*, risk versus return, the benefits of diversification and asset allocation, historical returns of certain asset classes, etc.). The Firm may also provide clients with questionnaires and/or interactive investment materials that can provide a means for to independently determine future retirement income needs and to assess the impact of different asset allocations on retirement income. The client will make the final rollover decision.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

PCFS 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**

PCFS offers services to individuals, including high net worth families, family trusts, and retirement accounts (*e.g.*, pension and profit-sharing plans).

### **Minimum Account Value**

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As a condition for starting and maintaining a MAP relationship, PCFS imposes a minimum portfolio value of \$50,000. PCFS may, in its sole discretion, 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. PCFS only accepts clients with less than the minimum portfolio size if the Firm determines the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. PCFS may, in its sole discretion, 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 and Investment Strategies**

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The types of analysis utilized may include fundamental, technical, and cyclical. PCFS focuses on asset allocation strategies for portfolio management.



Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For PCFS, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis 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 PCFS will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (entire market or economy) or micro (company specific) level, rather than focusing on the overall fundamental analysis of the health of the particular company that PCFS is recommending. The risks with cyclical analysis are similar to those of technical analysis.

## **Risk of Loss**

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The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of PCFS's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that PCFS will be able to predict these price movements accurately or capitalize on any such assumptions.

### *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition



of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

### *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

### *Equity-Related Securities and Instruments*

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

American Depositary Receipt ("ADR") represents an interest in the shares of a non-U.S. company that have been deposited with a U.S. bank. ADRs trade in U.S. dollars and clear through U.S. settlement systems, allowing ADR holders to avoid having to transact in a foreign currency. An ADR may represent the underlying shares on a one-for-one basis, or may represent a fraction of a share or multiple shares. The use of a ratio allows ADRs to be priced at an amount more typical of U.S. market share prices. ADRs may be "sponsored" or "unsponsored." Sponsored ADRs are those in which the non-U.S. company enters into an agreement directly with the U.S. depositary bank to arrange for recordkeeping, forwarding of shareholder communications, payment of dividends, and other services. An unsponsored ADR is set up without the cooperation of the non-U.S. company and may be initiated by a broker-dealer wishing to establish a U.S. trading market. An ADR, however, may not be established unless the non-U.S. company is either subject to the reporting requirements under the Securities Exchange Act of 1934 or is exempt under the Act.

### *Fixed Income Securities*

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.



- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.
- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.
- Liquidity risk. Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.
- Call risk. Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.
- Prepayment risk. When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.
- Extension risk. When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential for price declines.

## *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.



Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Finally, some mutual funds and ETFs may have lock-up periods that restrict an investor from selling their position for a period of time. Other mutual funds and ETFs could also have early redemption fees that are taken if the investor sells their position before a certain amount of time.

### *Exchange Traded Notes ("ETN")*

ETNs are a type of debt security that trade on exchanges and promise a return linked to a market index or other benchmark. However, unlike ETFs, ETNs do not buy or hold assets to replicate or approximate the performance of the underlying index. Some of the indexes and investment strategies used by ETNs can be quite sophisticated and may not have much performance history. The return on an ETN generally depends on price changes if the ETN is sold prior to maturity (as with stocks or ETFs) – or on the payment, if any, of a distribution if the ETN is held to maturity (as with some other structured products). An ETN's closing indicative value is computed by the issuer and is distinct from an ETN's market price, which is the price at which an ETN trades in the secondary market. An ETN's market price can deviate, sometimes significantly, from its indicative value. ETNs are complex products and can carry a number of risks including: credit risk, market risk, liquidity risk, price-tracking risk, holding-period risk, and call or early redemption risk.

### *Alternative Investments in Mutual Funds or ETFs*

There is no uniform definition of the term "alternative investments." As utilized by PCFS, alternative or "alt" mutual funds or ETFs are publicly traded funds that use investment strategies that differ from the buy-and-hold strategy typical in funds. Compared to a traditional fund, an alternative fund typically holds more non-traditional investments and employs more complex trading strategies. Alt funds might invest in assets such as global real estate, commodities, natural resources, leveraged loans, foreign currency, managed futures, derivatives, swap agreements, start-up companies and unlisted securities that offer exposure beyond traditional stocks, bonds and cash. Alt fund strategies might include market neutral (long/short positions) and arbitrage strategies. Alternative mutual funds have unique characteristics and risks. Investors should read the prospectus for an understanding of a particular fund's strategy and risk.

### *Variable Annuity*



A variable annuity is a contract between the investor and an insurance company, under which the insurer agrees to make periodic payments, beginning either immediately or at some future date. A variable annuity offers a range of investment options, and the value of the investment will vary depending on the performance of the underlying investments. Variable annuities offer insurance and death benefits, as well as taking advantage of tax law benefits. The fee and expense charges incurred in a variable annuity are higher than a mutual fund.

### *Real Estate Investment Trusts ("REITs")*

REITs are a form of security that trades like a stock on major markets, yet participates in real estate projects. Most REITs focus on particular types of commercial development, such as apartments or office buildings. This concentration leaves them vulnerable to a downturn in this particular sector of real estate. Also, a high concentration of development in one community or geographic region may leave it vulnerable to a downturn in that area's economy. Equity REITs own and manage income-producing real estate properties. Mortgage REITs purchase or originate mortgages on properties, not the properties themselves. Some REITs use leverage, which has potential for higher rewards, but comes with greater risks. Some REITs are private placements and thus are not traded on the stock exchange. These carry liquidity risk.

### *Mortgage-Backed Securities*

Mortgage-Backed Securities are collateralized by a pool of residential mortgages. Monthly payments "pass through" the originating bank on to a third-party investor. Besides monthly interest payments, mortgages amortize over their life, meaning some amount of principal is paid off with every monthly payment, unlike a bond, which generally pays all principal at maturity. In addition to scheduled amortizations, investors receive, on a pro-rata basis, unscheduled prepayments of principal due to refinancing, foreclosure and house sales. While a typical mortgage may have a term of 30 years, quite often mortgages are paid off much sooner. Because of these unscheduled prepayments, predicting the maturity of the MBS is problematic. The credit risk of mortgage-backed securities depends on the likelihood of the borrower paying the promised cash flows (principal and interest) on time.

### *Floating-Rate Loan Funds*

Floating-Rate Loan Funds invest in loans extended by financial institutions to entities of below investment-grade credit quality. Companies that are extended these high interest rate loans usually have a high debt-to-equity ratio, and those loans' yields tend to be higher than investment-grade bonds. The interest rates on floating-rate loans adjust by a pre-determined spread over a reference rate, like the London Interbank Offered Rate (LIBOR). A fund that invests in floating-rate loans may be attractive in a low or rising interest rate environment because, in addition to having higher yields, the fund's interest rate increases when rates rise.





## Item 9. Disciplinary Information

PCFS has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

## Item 10. Other Financial Industry Activities and Affiliations

This item requires investment advisers to disclose certain financial industry activities and affiliations.

### Registered Representatives of Cetera

IA Reps of PCFS are registered representatives of Cetera. Some affiliated companies of Cetera are also general insurance agencies. The Firm's IA Reps, in their capacity as Cetera registered representatives, can recommend securities, asset management, or insurance products offered by Cetera or its affiliated companies. If clients purchase these products through Cetera or its affiliated companies, the Firm's IA Reps will receive the normal commissions or fees. Thus, a conflict of interest exists between the interests of advisory clients and IA Reps. Advisory clients are under no obligation to purchase products recommended, or to purchase them through the Firm or through Cetera or its affiliated companies.

### Licensed Insurance Agents

A number of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that PCFS recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

### Registered Mortgage Brokers

Own Mortgage, Inc. dba UMAX Mortgage ("UMAX Mortgage"): Certain IA Reps are licensed to sell real estate in the State of California, and as such, are registered mortgage brokers with UMAX Mortgage. In this capacity, they may recommend, and process loans offered through UMAX Mortgage as a Loan Officer. If clients become borrowers, the Loan Officers receive normal commissions or fees. Thus, a conflict of interest exists between the IA Rep interests and those of their advisory clients. The client is under no obligation to utilize PCFS IA Reps for realtor services or purchase loans they recommend.





## Item 11. Code of Ethics

PCFS has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. PCFS’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of PCFS’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact PCFS to request a copy of its Code of Ethics by contacting the Firm at the phone number on the cover page of this brochure.



## Item 12. Brokerage Practices

### Recommendation of Broker-Dealers for Client Transactions

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PCFS recommends that clients utilize the custody, brokerage and clearing services of Charles Schwab & Co, Inc. through its Schwab Advisor Services division (“Schwab”) or Pershing, LLC (“Pershing” and together with Schwab “Custodian”) for MAP accounts. The final decision to custody assets with Custodian is at the discretion of the client, 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. PCFS is independently owned and operated and not affiliated with Custodian. Custodian provides PCFS with access to its institutional trading and custody services, which are typically not available to retail investors.

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

The commissions paid by PCFS’s clients to Custodian comply with the Firm’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 PCFS 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. PCFS seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

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

### Software and Support Provided by Financial Institutions

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PCFS receives without cost from Custodian administrative support, brokerage support, computer software, related systems support, research and other third-party support as further described below (together “Support”) which allow PCFS to better monitor client accounts maintained at Custodian and otherwise conduct its business. PCFS receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Custodian. The Support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The Support benefits PCFS, but not its clients directly. Clients should be aware that PCFS’s receipt of economic benefits such as the Support from a



broker-dealer creates a conflict of interest since these benefits will influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services. In fulfilling its duties to its clients, PCFS endeavors at all times to put the interests of its clients first and has determined that the recommendation of Custodian is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, PCFS receives the following benefits from Custodian: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at Custodian. Custodian'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 client accounts maintained in its custody, Custodian 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 Custodian or that settle into Custodian accounts.

Custodian also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Custodian. Other potential benefits may include occasional business entertainment of personnel of PCFS by Custodian 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 PCFS 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 the Firm's 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 the Firm's accounts, including accounts not maintained at Custodian. Custodian also makes available to PCFS other services intended to help the Firm 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, Custodian may make available, arrange and/or



pay vendors for these types of services rendered to the Firm by independent third parties. Custodian 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 the Firm. While, as a fiduciary, PCFS endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Custodian may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Custodian, which creates a potential conflict of interest.

## **Brokerage for Client Referrals**

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PCFS does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

## **Directed Brokerage**

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The client may direct PCFS 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 the Firm 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 PCFS (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, PCFS may decline a client's request to direct brokerage if, in the Firm'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).

## **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of Cetera. These Supervised Persons are subject to FINRA Rule 3280 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless the registered representatives give prior notice of such transactions to Cetera and, in most circumstances, Cetera provides written consent. Therefore, clients are advised that certain Supervised Persons are restricted to conducting securities transactions through Cetera if they have not secured written consent from Cetera to execute securities transactions through a different broker-dealer. Absent such written consent or separation from Cetera, these Supervised Persons are generally prohibited from executing securities transactions through any broker-dealer other than Cetera under its internal supervisory policies. The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.



## Trade Aggregation

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Transactions for each client will be effected independently, unless PCFS decides to purchase or sell the same securities for several clients at approximately the same time. PCFS 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 the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among PCFS’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which PCFS’s Supervised Persons may invest, the Firm does 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. PCFS does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which 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, the Firm 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.

## Item 13. Review of Accounts

### Account Reviews

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PCFS monitors the individual investments within the Managed Account Program (“MAP”) each day the market is open. Portfolio performance is reviewed on a quarterly basis at a minimum. PCFS offers MAP clients an annual phone call or in-person portfolio review meeting. The client may contact the Firm’s office at any time to request a phone call or in-person portfolio review meeting on a more frequent basis at no additional cost.



The Financial Plan is a snapshot in time and no ongoing reviews are conducted. PCFS recommends clients engage us on an annual basis to update their financial plan.

The account reviews are performed by the client's IA Rep. The Chief Compliance Officer and other designated compliance staff monitor the portfolios and financial plans for investment objectives and other supervisory review.

## **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. MAP clients receive a written (via mail or electronic) quarterly performance report from PCFS. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from PCFS or an outside service provider.

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

### **Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals.

### **Other Compensation**

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The Firm receives economic benefits from Custodian. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

PCFS holds client appreciation events. One or more mutual fund sponsors that are utilized by PCFS contribute towards the expense of these events. These events are not held for sales promotion or education; however the sponsor(s) name will be displayed at the event. This represents a conflict of interest, as it creates an incentive for PCFS to recommend clients invest in funds from fund sponsors that are willing to contribute. PCFS understands its fiduciary duty to act in the best interest of the client when making investment recommendations regardless of this conflict.



## Item 15. Custody

PCFS is deemed to have custody of client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.

In addition, as discussed in Item 13, PCFS will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from PCFS. Any other custody disclosures can be found in the Firm's Form ADV Part 1.

### Standing Letters of Authorization

PCFS also has custody due to clients giving the Firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the Firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize the Firm to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) the Firm will have no authority or ability to designate or change the identity or any information about the third party; vi) the Firm will keep records showing that the third party is not a related party of the Firm or located at the same address as the Firm; and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.

## Item 16. Investment Discretion

PCFS is given the authority to exercise discretion on behalf of clients. PCFS is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. PCFS is given this authority through a power-of-attorney included in the agreement between PCFS and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). PCFS 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

### Declination of Proxy Voting Authority

PCFS does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## Item 18. Financial Information

PCFS is not required to disclose any financial information listed in the instructions to Item 18 because:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.