

## **Item 1: Cover Page**

### **PASI INVESTMENTS, LLC SEC Form ADV Part 2A “Brochure”**

SEC File No. 801-68712

Melanie Hancock Brown

Chief Compliance Officer

10 Talcott Notch Road  
Farmington, CT 06032

Telephone: 1.860.284.6880

**October 10, 2023**

This Firm Brochure provides information about the qualifications and business practices of PASI Investments, LLC (hereinafter “PASI”). If you have any questions about the contents of this Brochure, please contact us by telephone at (860) 284-6880 or by email at [Melanie.Brown@mymidamerica.com](mailto:Melanie.Brown@mymidamerica.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about PASI Investments, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number known as a CRD number. PASI Investments, LLC CRD number is 145640. While PASI Investments, LLC is an SEC-registered investment adviser, such registration does not imply a certain level of skill or training.

## **Item 2:     Material Changes**

Since our last annual amendment filing on March 14, 2023, this Disclosure Brochure has been revised at Item 4 to enhance disclosure regarding our advisory services.

Melanie Hancock Brown has replaced David W. Wetsman as our Chief Compliance Officer.

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## Item 4: Advisory Business

### **INTRODUCTION**

Our firm, PASI Investments, LLC (hereinafter "PASI" or the "firm"), formed in 2007, is a registered investment adviser with its principal place of business located in Connecticut. As of September 1, 2023, PASI has undergone an ownership change and is now fully owned by U.S. Retirement Planners, Inc. ("USRP"). USRP, in turn, is owned by USRP Holdings, Inc.

### **SERVICES OFFERED BY PASI INVESTMENTS, LLC**

PASI provides discretionary and non-discretionary investment advisory services on a fee basis as more particularly described below. PASI's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under PASI's management, generally between 0.10% and 1.50%, or a fixed fee.

#### *PENSION CONSULTING AND PENSION INVESTMENT MANAGEMENT*

Our firm provides retirement plan consulting to business owners and investment advice to sponsors of 401(k) or other self-directed retirement plans. Our plans typically are either "pooled accounts" where the plan trustees make all investment decisions, or "participant directed accounts" where employees are given the ability and responsibility to direct the investment of their retirement dollars. We seek to provide fiduciary guidance and education to the sponsors, trustees and participants to aid them in managing their investments successfully. Clients can impose restrictions on the investments included in their plans.

Our firm also provides:

- ☐ Ongoing educational materials and recommends model investment portfolios with various allocations based on age, risk tolerance, and personal circumstances.
- ☐ Record-keeping services including comprehensive quarterly participant account statements and ongoing review of investment models and selected funds so as to maximize investment performance.
- ☐ Investment advice to individuals, particularly those approaching retirement age, or in retirement.

Working with our clients, we develop an "Investment Policy Statement" for the account.

- ☐ For pooled account clients, we generally recommend no-load mutual funds, corporate securities, government securities and certificates of deposit. These recommended investments are intended to provide the investment choices and allocations necessary for clients to comply with the provisions in their Investment Policy Statement.
- ☐ For participant directed accounts, we generally recommend a selection of no-load mutual funds from the universe of available funds. These mutual funds are categorized to represent a broad range of asset classes. We monitor the performance, management, and style changes of the funds in the plan, and make further recommendations when necessary.

For plan sponsors who have selected participant directed accounts, we will generally provide the plan participants with information on investment basics and asset allocation. The participants will then make their own initial and ongoing investment decisions as to allocation, fund selection, timing, etc. The nature of the topics of the information to be provided will be determined in a collaborative manner, under the guidelines established in ERISA Section 404(c).

PASI also provides participant directed plan accounts the option of offering PASI Model portfolios to their plan participants. These model portfolios offer (within the plan) a selection of managed portfolios representing different allocation strategies based on factors such as age, tolerance for risk and personal circumstances. The model portfolios generally consist of mutual funds selected from the universe of available no-load funds with a goal of consistent investment results and maximized performance. We may recommend changes to the model portfolios according to the goals of each model (not according to the individual needs of any of the plan participants). Any changes to the funds within the model portfolios must be approved by the plan sponsor in writing.

As noted above, we may provide educational materials to plan participants to assist them in managing their plan accounts, including determining the model portfolio that would be most suitable for their own particular investment goals and objectives. It is important to note that in such instances, however, the plan sponsor, is our client, not the plan participants. The firm may assist participants in determining whether a model portfolio is appropriate for their goals and objectives (i.e., maximum capital appreciation, growth, income, or growth and income). In these instances, PASI may make recommendations to plan participants in connection with providing general education and guidance on plan options.

PASI is deemed a fiduciary to our advisory clients that are employee benefit plans or individual retirement accounts (hereinafter "IRAs") pursuant to the Employee Retirement Income and Securities Act (hereinafter "ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, PASI may only charge fees for investment advice about products for which our firm does not receive any commissions or 12b-1 fees.

#### *INDIVIDUAL PORTFOLIO MANAGEMENT*

Our firm also provides investment advice for individuals. Generally, account management is provided on a discretionary basis.

For individual clients, we generally recommend portfolios structured on an asset allocation basis, utilizing a broad range of asset classes. This asset allocation is determined based upon the goals and risk tolerance of each individual investor, as such is communicated to us. Investments choices within each asset class consist of, but are not limited to, stocks, bonds, mutual funds, exchange traded funds and certificates of deposits.

To commence the investment advisory process, PASI will ascertain each client's investment objective(s) and then allocate the client's assets consistent with the client's designated investment

objective(s). Once allocated, PASI provides ongoing supervision of the account(s). Before engaging PASI to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with PASI setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

#### *MISCELLANEOUS*

**ERISA PLAN and 401(k) INDIVIDUAL ENGAGEMENTS:** PASI primarily provides investment advisory services to retirement plans:

- **Participant Directed Retirement Plans.** PASI is often engaged to provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a Retirement Plan Services Agreement between PASI and the plan. For such engagements, PASI shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by PASI), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process.
- **Trustee Directed Plans.** PASI may be engaged to provide investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, PASI will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 (“ERISA”). PASI will generally provide services on an “assets under management” fee basis per the terms and conditions of an Investment Advisory Agreement between the Plan and the Firm.

**Please Note: Conflict of Interest.** As disclosed below at Item 10, PASI is under common control with PASI, LLC, a Third Party Administrator (“TPA”). In the event that PASI, LLC, in its capacity as a TPA, is requested to recommend an Investment/Record Keeping Platform for a retirement plan client, a conflict of interest shall arise if any such Investment/Record Keeping Platform provides direct or indirect monetary assistance or other economic benefits (i.e., revenue sharing, travel to conferences, including entertainment, trips, etc.) to PASI, LLC (and/or its employees), including assistance based upon total assets introduced by PASI, LLC to the Platform. Such a recommendation by PASI, LLC raises a conflict of interest because PASI, LLC has an economic incentive to recommend an Investment/Record Keeping Platform that provides PASI, LLC (and/or its employees) with such additional benefits. PASI, LLC currently maintains such arrangements with Investment/Record Keeping Platforms. No client is under any obligation to use the services of any Investment/Record Keeping Platform recommended by PASI, LLC, nor is any client who engages PASI, LLC for third party administration services under any obligation to engage PASI for advisory services, as also described in Item 10 below. **ANY QUESTIONS:** PASI’s Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions regarding this conflict of interest.

**No Financial Planning Services.** In the limited event that PASI provides advisory services to individual clients separate and independent of participant directed retirement plan engagements (see below), each such client is advised that PASI does not provide financial planning or related

consulting services regarding non-investment related matters, such as tax and estate planning, insurance, etc. PASI does not serve as an attorney or accountant, and no portion of our services should be construed as same. Accordingly, PASI does not prepare estate planning or any other type of legal documents or tax returns. To the extent specifically requested by a client, we may recommend the services of other professionals for non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.), including a representative of PASI, in their separate capacity as a licensed insurance agent. The recommendation by PASI that a client purchase an insurance commission product through one of PASI's representatives in their separate and individual capacity as an insurance agent, presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from PASI and/or its representatives. If, and when, PASI is involved in a specific matter (i.e. estate planning, insurance, accounting-related engagement, etc.), it is the engaged licensed professionals (i.e. attorney, accountant, insurance agent, etc.), and not PASI, that is responsible for the quality and competency of the services provided.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage PASI on a non-discretionary investment advisory basis must be willing to accept that PASI cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that PASI would like to make a transaction for a client's account, and client is unavailable, PASI will be unable to effect the account transaction (as it would for its discretionary clients) without first obtaining the client's consent.

**RightCapital.** In conjunction with the services provided by Right Capital, LLC, PASI may also provide various financial reports which can incorporate all of the client's investment assets including those investment assets that are not part of the assets managed by PASI (the "Excluded Assets"). PASI's service relative to the Excluded Assets is limited to reporting services only, which does not include investment implementation. Because PASI does not have trading authority for the Excluded Assets, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not PASI, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. The client and/or their other advisors that maintain trading authority, and not PASI, shall be exclusively responsible for the investment performance of the Excluded Assets. Without limiting the above, PASI shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that PASI provide investment management services with respect to the Excluded Assets, the client may engage PASI to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between PASI and the client.

**Please Note: Retirement Rollovers-Potential for Conflict of Interest:** In the limited event that PASI provides advisory services to individual clients (non-retirement plan clients), a client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers

are permitted, (iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). If PASI recommends that a client roll over their retirement plan assets into an account to be managed by PASI, such a recommendation creates a conflict of interest if PASI will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, PASI serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. No client is under any obligation to rollover retirement plan assets to an account managed by PASI. **PASI’s Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

**Custodian Charges-Additional Fees:** As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, PASI generally recommends that Charles Schwab & Company, Inc. (“Schwab”) serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge transaction fees for effecting securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian (while certain custodians, including *Schwab*, do not currently charge fees on individual equity transactions, others do). **Please Note:** there can be no assurance that *Schwab* will not change its transaction fee pricing in the future. **Please Also Note:** *Schwab* may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically. When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom PASI and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a “trade-away” fee charged by *Schwab*). In addition to PASI’s investment advisory fee referenced in Item 5 below, the client will also incur transaction fees to purchase securities for the client’s account (i.e., mutual funds and exchange traded funds, etc.). With respect to retirement plan custody, PASI may recommend several retirement plan custodians, including Great West Trust Company (conducting business as Empower Retirement) or “Empower”, Fidelity, John Hancock and American Funds (Capital Group). Retirement plan custodians will charge administrative, custodial and or transaction fees, in addition to fees charged by PASI. **ANY QUESTIONS:** PASI’s Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions that a client or prospective client may have regarding the above.

**Please Note:** *Schwab* (as do its primary competitors that provide similar pricing arrangements) requires that cash proceeds to be automatically be swept into a *Schwab* proprietary or affiliated money market mutual funds or cash sweeps accounts, which proprietary/affiliated Schwab funds/accounts do not provide the highest return available.

**Please Note-Use of Mutual and Exchange Traded Funds:** Most mutual funds and exchange-traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by PASI independent of engaging PASI as an investment advisor. However, if a prospective client determines to do so, he/she will not receive PASI’s initial and ongoing investment advisory services. **Please Note:** In addition to PASI’s investment advisory fee de-



scribed below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). **ANY QUESTIONS:** PASI's Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions that a client or prospective client may have regarding the above.

**Independent Managers.** PASI may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers ("Independent Manager(s)") in accordance with the client's designated investment objective(s). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated assets. PASI shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which PASI shall consider in recommending an Independent Manager include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. **Please Note:** The investment management fee charged by the Independent Manager[s] is separate from, and in addition to, PASI's advisory fee as set forth in the fee schedule at Item 5 below and which will be disclosed to the client before entering into the Independent Manager engagement and/or subject to the terms and conditions of a separate agreement between the client and the Independent Manager(s).

**Private Investment Funds.** PASI may provide investment advice regarding unaffiliated private investment funds. PASI's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of PASI calculating its investment advisory fee. PASI's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that PASI references private investment funds owned by the client on any supplemental account reports prepared by PASI, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. However, if subsequent to purchase, the fund has not provided an updated valuation, the valuation shall reflect the initial purchase price. If subsequent to purchase, the fund provides an updated valuation, then the statement will reflect that updated value. The updated value will continue to be reflected on the report until the fund provides a further updated value.

**Please Also Note:** As result of the valuation process, if the valuation reflects initial purchase price or an updated value subsequent to purchase price, the current value(s) of an investor's fund holding could be significantly more or less than the value reflected on the report. The client's advisory fee shall be based upon the value reflected on the report.

**Portfolio Activity.** In the event that PASI provides advisory services to trustee directed retirement plans clients (see above) or individual clients (non-retirement plan clients), PASI has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, PASI will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when PASI determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by PASI will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**ESG/Socially Responsible Investing Limitations.** Certain clients may desire to invest all, or a portion, of their investment portfolio in socially responsible mutual and exchange traded funds (the "Funds") (i.e., Funds that have a mandate to avoid, when possible, investments in alcohol, tobacco, firearms, oil drilling, etc.). There are potential limitations associated with allocating a portion of an investment portfolio to the Funds. The number of the Funds are substantially few when compared to those that do not maintain such a mandate. The Funds could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. The Client is under no obligation to invest any portion of their portfolio in the Funds. As with any type of investment, (including the investments and/or investment strategies recommended and/or undertaken by PASI), there can be no assurance that investment in the Funds will be profitable, or prove successful.

**Cash Sweep Accounts.** Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate this issue, PASI shall generally purchase a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, unless PASI reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

**Cybersecurity Risk.** The information technology systems and networks that PASI and its third-party service providers use to provide services to Registrant's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Registrant's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and PASI are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and

reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although PASI has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that PASI does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

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

**Cash Positions.** PASI continues to treat cash as an asset class. As such, unless determined to the contrary by PASI, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating PASI's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), PASI may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, PASI's advisory fee could exceed the interest paid by the client's money market fund

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by PASI) will be profitable or equal any specific performance level(s).

**Disclosure Statement.** A copy of PASI's written Brochure as set forth on Part 2A of Form ADV, along with our Form CRS (Relationship Summary) shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Retirement Plan Consulting Agreement*.

PASI shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, PASI shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on PASI's services.

PASI does not participate in a wrap fee program.

Our firm had approximately \$97,989,460 of non-discretionary assets under management as of December 31, 2022. Additionally, our firm had approximately \$352,888,256 in discretionary assets under management as of December 31, 2022. The firm's total AUM is approximately \$450,877,816.

## Item 5: Fees & Compensation

For the investment management services we provide, clients are charged an annual fee, assessed on a quarterly basis. These fees are negotiable based on the amount of assets in their account and may range from 0.10% to 1.50% or may be a fixed fee. The specific fee is set forth in the agreement between the client and the firm, and is based on a number of factors such as:

- ☐ The amount of assets in the account.
- ☐ The nature and complexity of the services and reports provided.
- ☐ The number of plan participants.
- ☐ The type of retirement plan being serviced.
- ☐ Negotiations with the client.
- ☐ Other factors.

Clients may elect to have PASI's advisory fees deducted from their custodial account. Both PASI's Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of PASI's investment advisory fee and to directly remit that management fee to PASI in compliance with regulatory procedures. In the limited event that PASI bills the client directly, payment is due upon receipt of PASI's invoice. Our fees are payable monthly/quarterly in arrears or in advance at the beginning of each calendar month/quarter based upon the total value of your account assets at the end of the previous month/quarter. Fees can be deducted directly from the pooled or participant accounts, or can be invoiced to the account holder. There may be other fees associated with a client account that are separate and distinct from the fees that are paid to the firm. These other fees may include:

- ☐ Mutual fund expense charges (expense ratio).
- ☐ Brokerage trading fees.
- ☐ Qualified plan record keeping charges.

The mutual fund expense charges are paid directly from account assets to the corresponding mutual fund company. Mutual fund expenses are always paid by plan participants (and are based on the mutual funds they choose to invest in). Detailed expense ratio information is included in the prospectus for each fund. All clients should carefully review the prospectus for each fund in their account.

Record keeping charges can be paid directly by the plan sponsor or can be paid from the participant's accounts. These fees are directly paid to a third party.

Negotiability of Advisory Fees: Although PASI has established the aforementioned fee schedule, the firm retains the discretion to negotiate alternative fees and alternative fee structures on a client-by-client basis, based on a variety of factors, as set forth above. 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, reports, among other factors. The individual annual fee schedule is identified in the contract between the adviser and each client.

Moreover, PASI may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. The services to be provided

by PASI to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, PASI shall generally recommend that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge certain transaction fees for effecting transactions (i.e. transaction fees are charged for certain no-load mutual funds and fixed income securities transactions). With respect to retirement plans, we may custody with several retirement plan custodians, including Empower, Fidelity, John Hancock and American Funds (Capital Group). Retirement plan custodians will charge administrative, custodial and or transaction fees, in addition to fees charged by PASI. Retirement plan custodians will separately disclose such costs to the plan and its participants. In addition to PASI's investment management fee, and brokerage transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the individual client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom PASI and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by *Schwab*).

Termination of Agreement: Either the advisor or the client may terminate the agreement in writing at any time (subject to the 30-day notice provision in our client agreement). The client is responsible to pay for services rendered until the termination of the agreement. Upon termination, the client shall receive a pro-rata refund of that portion of any prepaid advisory fees that have yet to be earned by advisor.

Please Note: Fee Differentials: As indicated above, PASI's fees are negotiable based upon various factors. As a result, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** PASI's Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions that a client or prospective client may have regarding advisory fees.

Neither PASI, nor its representatives, accepts compensation from the sale of securities or other investment products.

## **Item 6: Performance-Based Fees & Side-by-Side Management**

PASI does not currently charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

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

PASI provides investment consulting and investment management services to the following:

- ❑ Corporations and other legal business organizations that sponsor qualified retirement plans for their employees.
- ❑ Individuals who sponsor qualified retirement plans for themselves and/or their employees.
- ❑ Corporations and other legal business organizations that sponsor non-qualified retirement plans for their employees.
- ❑ Individuals, especially those nearing retirement, or in retirement.

For retirement plans, there is generally no minimum amount required in order to open an account with PASI. For individuals, there is generally a \$100,000 account minimum requirement (for opening and maintaining an account).

PASI, in its sole discretion, may charge a lesser investment advisory fee, waive or modify its account minimum or minimum fee, and/or a charge a flat fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, competitive pricing, negotiations with client, etc.). Please Note: Fee Differentials: As indicated above, PASI's fees are negotiable based upon various factors. As a result, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** PASI's Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions that a client or prospective client may have regarding advisory fees.

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

Our portfolio managers utilize a number of methods for analyzing and assessing the investments we recommend. The primary methods of assessment are:

1. Fundamental Analysis.
2. Mutual Fund and ETF Analysis.
3. Collaborative Research.

**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 company 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.

When analyzing companies, PASI focuses on the numbers through its proprietary quantitative approach – a composite scoring system developed over the manager's extensive tenure and experience investing in the domestic equity markets. A significant amount of the data we analyze parallels what the majority of institutional investors on Wall Street focus on in their research departments. The theory behind this being we want to be aligned with stocks that other money managers are going to be

building positions in. For PASI, the quality of a company's financial condition, sales, and earnings will always be reflected by increasing institutional demand for the company's stock.

PASI adheres to a bottom-up strategy with a top-down approach to identifying sectors or industries in market favor, developed and practiced over the past 15 years by our investment team. PASI approach seeks to identify stocks of companies entering a strong product cycle - potentially producing multiple quarters of above average growth - which is likely to be accelerating. The process examines earnings and sales growth, profit margins, return on equity, insider related activity, valuation measures, and industry analysis to arrive at a statistically significant number that is normalized and can be compared to all other companies in the mid/large cap equity universe. We also apply a relative strength overlay and technical analysis to arrive at a basket of stocks which, over time, possess a higher probability of outperforming the market.

**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 invest over a period of time and in different economic conditions. PASI also looks at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. Furthermore, PASI monitors the funds or ETFs in an attempt to determine if 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.

**Collaborative Research.** PASI continuously monitors investment options utilizing published and on-line resources from various sources. We may also draw on the fundamental and economic research and talent provided by the various record keeping companies and plan custodians that we work with such as:

- ☐ Fidelity Investments.
- ☐ Charles Schwab & Co.
- ☐ Vanguard Investments.
- ☐ Capital Group
- ☐ Empower Retirement
- ☐ John Hancock Retirement Plan Services.

Economic cycles and market trends will also be considered in evaluating the relative values of various funds and markets.

PASI Model Portfolios are designed to be essentially fully invested at all times and will be managed with a long-term view. There are different model portfolios designed to meet the needs of different participants in view of factors such as age, resources, and risk tolerance. Allocation strategies

in our model portfolios and fund recommendations in both our model portfolios and participant directed accounts are continuously reviewed to maximize performance.

PASI will provide plan participants with a broad range of initial and ongoing training materials to aid in their understanding of the investment markets, stocks and bonds and their differences, asset allocation strategies and the relationship of risk and reward in their accounts.

## **MANAGING RISK OF LOSS**

It is important to keep in mind that all investments involve risk of losing value that clients should be prepared to bear. Notwithstanding the foregoing, following the prudent investment strategies and educational practices mentioned above should help you and your plan participants avoid unnecessary risk.

PASI invests almost exclusively in mutual funds and ETFs (including both leveraged and inverse ETFs). When working with individual clients or trustee directed retirement plans, PASI may, in more limited instances, allocate and/or recommend the client allocate assets in U.S. common stocks (typically NASDAQ & NYSE issues), individual bonds, ADRs, and ETNs.

Diversification is a top priority at PASI. Our typical maximum position size for a stock is 3.5 to 4.9% - measured by purchase cost. This allows us to hold anywhere between 20- 40 positions at any given time, effectively managing investment (un-systematic) risk. Exchange Traded Funds and Exchange Traded Notes may have more concentrated positions, above 5%.

The firm will rarely add to a holding if the position is at a loss, although it may occur when both the fundamental and technical pictures remain intact.

PASI may actively hedge a portfolio when market conditions warrant it. We utilize exchange traded funds, exchange traded notes and cash to mitigate market risk. The firm reserves the right to raise cash and, if necessary, add straight or leveraged market index ETFs to help reduce volatility in times of market turbulence.

In addition to hedging, PASI may also employ a sell discipline. In these circumstances, a position will be reduced should the composite score start to deteriorate, the technical picture worsens, or a negative data point emerges. We generally sell a security once it falls below our trailing stop threshold. PASI does not employ price targets, rather we wait for either the composite score or the stock's price action (or both) to tell us to sell.

PASI may also allocate investment management assets of its client accounts, on a discretionary basis, among one or more of its asset allocation programs or models. PASI's asset allocation strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as PASI's asset allocation programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to PASI's management of client assets:

1. Initial Interview – at the opening of the account, PASI, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;



2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice - at least quarterly, PASI shall notify the client to advise it as to whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact - at least annually, PASI shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available - PASI shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report - the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions - the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct PASI not to purchase certain mutual funds;
8. No Pooling - the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;
10. Ownership - each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

PASI believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided under the *Investment Advisory Agreement*; and (2) the fees charged by other investment advisers offering similar services/programs. However, PASI's annual investment management fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to PASI's annual investment management fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses).

PASI also strives to maintain portfolio liquidity. Securities are chosen from a multi-cap universe with a low price boundary of \$5. Investments are generally made in mid to large- cap stocks although some small-cap issues may qualify from time to time. In addition to this, a stock will only qualify for candidacy if it has enough trading volume to support entering/exiting the position without adversely impacting the price. This is typically an average 50day trading volume of 500,000 shares a day or more. Finally, PASI normally does not purchase securities with a price below \$20 per share. That being said, PASI reserves the right to purchase/invest in stocks of companies below the minimum thresholds noted above should the portfolio manager feel they offer a superior risk/reward ratio.

Please note that future investment performance can vary from past performance and you should not base your decision to invest with PASI simply on past performance. Past performance is not an indicator of future performance. The investment returns of the PASI portfolio are not guaranteed, and the value of the investment may rise or fall.

In conclusion, the summary of material risks provided above is not meant to be a complete description of every risk that may be applicable. All investment activities involve a high degree of risk, including the possible risk of loss of an investor's entire investment. The information contained herein is a summary only.

### **Item 9: Disciplinary Information**

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

There has never been any SEC or state regulatory body disciplinary events for our firm, our managers, or our investment representatives.

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

Neither PASI, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

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

Our firm is affiliated with PASI, LLC ("PASI, LLC") due to common ownership and control.

**PASI, LLC** is a third-party administration company that advises business owners and plan sponsors in the selection, design, implementation and administration of their retirement plans. The services provided include advice as to plan selection and design so as to maximize the benefits of various plans to employees and their plan sponsors. The company also provides, through contacts with third parties, all plan administration including plan valuation, tax reporting, benefit payments, loan administration and plan compliance. PASI may refer clients in need of third-party administrative services to PASI, LLC. However, there are no referral fee arrangements between PASI and PASI, LLC for these recommendations.

Third-party administrative services provided by PASI, LLC are separate and distinct from the advisory services provided by PASI and provide for separate compensation. No PASI client is obligated to use PASI, LLC for any third-party administrative services and no client of PASI, LLC is obligated to utilize the advisory services of PASI. Sponsors or trustees of pension, profit-sharing,

401(k), IRA or other client accounts subject to the provisions of ERISA or the prohibited transaction provisions of the Internal Revenue Code are solely responsible for determining whether or not to engage the services of PASI.

**ADDRESSING ANY POTENTIAL CONFLICT OF INTEREST:**

Due to the above-mentioned affiliations, there may be the appearance of a conflict of interest when PASI personnel make recommendations or suggestions involving our affiliated companies. To address these concerns, we take the following steps with each client:

- i. Disclose all relationships that have the potential to create a conflict of interest PASI and the respective client.
- ii. Describe the nature of the potential conflict of interest.

We may also perform suitability reviews in order to ensure that any recommendations relating to the services of these related companies was and is appropriate, suitable, and in the best interest of our clients.

**Please Note: Conflict of Interest.** As disclosed above and at Item 4, PASI is under common control with PASI, LLC, a Third-Party Administrator (“TPA”). In the event that PASI, LLC, in its capacity as a TPA, is requested to recommend an Investment/Record Keeping Platform for a retirement plan client, a conflict of interest shall arise if any such Investment/Record Keeping Platform provides direct or indirect monetary assistance or other economic benefits (i.e., revenue sharing, travel to conferences, including entertainment, trips, etc.) to PASI, LLC (and/or its employees), including assistance based upon total assets introduced by PASI, LLC to the Platform. Such a recommendation by PASI, LLC raises a conflict of interest because PASI, LLC has an economic incentive to recommend an Investment/Record Keeping Platform that provides PASI, LLC (and/or its employees) with such additional benefits. PASI, LLC currently maintains such arrangements with Investment/Record Keeping Platforms. No client is under any obligation to use the services of any Investment/Record Keeping Platform recommended by PASI, LLC, nor is any client who engages PASI, LLC for third party administration services under any obligation to engage PASI for advisory services. **ANY QUESTIONS:** PASI’s Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions regarding this conflict of interest.

**Affiliated Owner and Pension Consulting Company: U.S. Retirement Partners, Inc. (“USRP”)** PASI is now owned by USRP, which is an independent national financial services company, specializing in public school and governmental employee benefits plans, and employer-sponsored retirement plans in the United States. It helps clients in participating in employer retirement plans, such as 403(b) and 457(b) plans; and provides employers with employer sponsored retirement plans, such as 403(b) and 457 (b), as well as services, including benefits design, Internet-based benefits enrollment system, 403(b) third party administration, FICA alternative plans, special pay plans, and employee education.

PASI is not involved with providing investment advice to USRP customers and does not hold itself out as providing such advice or services. No PASI client is under any obligation to use USRP services.

**PASI's Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Licensed Insurance Agents.** One of PASI's representatives, in their individual capacity, is a licensed insurance agent and may recommend the purchase of certain insurance-related products on a commission basis. Neither PASI nor its representatives shall recommend the purchase of an insurance commission product to any retirement plan client. No client is under any obligation to purchase any insurance product from PASI's representative. **Conflict of Interest:** The recommendation by PASI's representative that a client purchase an insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from PASI's representatives. Clients are reminded that they may purchase securities or insurance products recommended by PASI through other, non-affiliated insurance agents or broker-dealers. **PASI's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

PASI does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

### **CODE OF ETHICS**

PASI has adopted a Code of Ethics (hereinafter referred to as the "Code") in accordance with Rule 204A-1 of the Investment Advisers Act of 1940 (hereinafter the "Advisers Act"). The purpose of the Code is to set forth certain key guidelines that have been adopted by us and to specify the responsibility of our personnel to act in accordance with their fiduciary duty to our clients and to comply with applicable federal and state laws and regulations. The Code requires that all employees conduct themselves in accordance with the highest ethical standards, which should be premised on the concepts of integrity, honesty and trust. The Code additionally includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons must acknowledge the terms of the Code. PASI 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 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.

Our Code 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 PASI's Code of Ethics is available to any client or prospective client upon request.

### **PARTICIPATION IN CLIENT TRANSACTIONS**

Owners of our firm, and our employees, may have an interest or position in certain investments which may also be recommended to a client. While we utilize only no-load mutual funds and corporate securities for our investment accounts, these situations may represent a conflict of interest. We have established the following procedures in order to ensure that we are fulfilling our fiduciary responsibilities:

1. PASI maintains a list of all securities holdings for itself, or any advisors associated with this firm.
2. PASI emphasizes the unrestricted right of the client to decline to implement any advice rendered.
3. PASI emphasizes the unrestricted right of the client to select any clearing firm, or in the case of a smaller or start-up plan, insurance group annuity carrier he/she wishes.
4. PASI requires that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any individual not in observation of the above may be subject to termination.

Neither PASI nor any related person of PASI recommends, buys, or sells for client accounts, securities in which PASI or any related person of PASI has a material financial interest

PASI and/or representatives of PASI may buy or sell securities that are also recommended to clients. This practice may create a situation where PASI and/or representatives of PASI are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest.

Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if PASI did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of PASI's clients) and other potentially abusive practices.

PASI has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of PASI's "Access Persons." PASI's securities transaction policy requires that Access Person of PASI must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date PASI selects; provided, however that at any time that PASI has only one Access Person, he or she shall not be required to submit any securities report described above.

PASI and/or representatives of PASI may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where PASI and/or representatives of PASI are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above, PASI has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of PASI's Access Persons.

## **Item 12: Brokerage Practices**

### **BROKERAGE FOR CLIENT REFERRALS**

PASI has no referral relationships with any brokerage companies. We do not accept client referrals from any brokerage, trading company, or custodian.

### **DIRECTED BROKERAGE**

Because PASI does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid, our clients must let us know the broker dealer they wish to use. PASI does request that clients direct us to place trades through Charles Schwab & Company, Inc. ("Schwab"), Fidelity Brokerage Services LLC ("Fidelity"), Empower Retirement, John Hancock, or other custodians, all FINRA member broker dealers. Prior to engaging PASI to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with PASI setting forth the terms and conditions under which PASI shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

We reserve the right to decline acceptance of any client account for which the client directs the use of a particular custodian if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account. In directing the use of a particular custodian, it should be understood that PASI does not have the authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved.

The custodians provide our firm with access to institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at the custodial Institution. These services are not contingent upon PASI committing any specific amount of business (assets in custody or trading commissions).

The custodian's brokerage services include the execution of securities transactions, custody, research, 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 our client accounts maintained in its custody, these firms generally do not charge separately for custody services but are compensated by account holders through commissions and other

transaction-related or asset-based fees for securities trades that are executed through Custodial or that settle into those accounts.

Factors that PASI considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with PASI, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by PASI's clients (to the extent that transaction fees or commission are charged by the broker-dealer/custodian) shall comply with PASI's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where PASI determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although PASI will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, PASI's investment management fee. PASI's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

These firms also make available to PASI, other products and services that benefit our firm but may not directly benefit our clients' accounts. Many of these products and services are used to service all or some substantial number of our client accounts, including accounts not maintained at the specific custodian. Products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- i. Provide access to client account data (such as trade confirmations and account statements);
- ii. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. Provide research, pricing and other market data;
- iv. Facilitate payment of our fees from clients' accounts; and
- v. Assist with back-office functions, record keeping and client reporting, including electronic co-ordination with our practice management software.

The custodians make available, arrange and/or pay third-party vendors for the types of services rendered to our firm. They may also 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 our firm. The custodians also provide other benefits such as educational events or occasional business entertainment of our personnel.

When recommending that Clients open accounts with, or transfer their accounts to Schwab, Schwab may reimburse client accounts for expenses incurred in relation to account termination or transfer fees. Such payments are made directly to the client or the separate custodian. No portion of this payment is received by PASI.

In evaluating whether to recommend that clients custody their assets at a particular custodian, we take into account the availability of some of the products and services and other arrangements

as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by these firms, which creates a potential conflict of interest. There is no corresponding commitment made by PASI to any broker-dealer or custodian or any other entity to invest any specific amount of percentage of client assets in any specific mutual funds, securities, or other investment products because of the above arrangements.

PASI does not receive referrals from broker-dealers.

PASI does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and PASI will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by PASI. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs PASI to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through PASI. Higher transaction costs adversely impact account performance.

#### **AGGREGATION**

PASI currently does not aggregate the purchase or sales of securities for Client accounts.

**ANY QUESTIONS:** PASI's Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.

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

Our clients typically will have their portfolio reviewed quarterly, with a major review and client presentation at least annually. Reviews are conducted by various personnel from PASI. All investment supervisory clients are advised that it remains their responsibility to advise PASI of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with PASI on an annual basis.

Our PASI Model portfolios will be continuously reviewed in view of performance, management or style changes, size and cost. Client plan participants who have decided to invest in our PASI Model Portfolios can further expect periodic reviews of asset allocation percentages based on market conditions and outlook. Client plan participants will be responsible for their own regular reviews in terms of allocation, purchases, timing, etc., with PASI providing recommendations as to the



funds used and their performance. We update our educational materials annually and communicate investment results to participants quarterly. We generally will meet with plan sponsors at least annually and will be available at all times for questions.

Plan sponsor clients will generally receive a quarterly summary pertaining to plan level asset holdings. All plan participants will receive summary statements quarterly directly from their custodian. Such statements will include fund balances, total account balances, allocation percentages, vested balances, account activity, including employee contributions and any company match. Individual clients will receive monthly account statements directly from their custodian. PASI may also provide a written periodic report summarizing account activity and performance

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

As indicated at Item 12 above, PASI can receive from Schwab, Fidelity, and others without cost (and/or at a discount), support services and/or products. PASI's clients do not pay more for investment transactions effected and/or assets maintained at Schwab, Fidelity (or any other institution) as result of this arrangement. In evaluating whether to recommend that clients custody their assets at a particular custodian, we take into account the availability of some of the products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by these firms, which creates a potential conflict of interest. There is no corresponding commitment made by PASI to Schwab, Fidelity (or any other institution or entity), to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. **ANY QUESTIONS:** PASI's Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.

PASI does not compensate unaffiliated individuals or entities for prospective client introductions.

#### **Item 15: Custody**

All of PASI's assets are held in the custody of unaffiliated, qualified custodians. PASI shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis.

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. Clients are urged to carefully review the custodial statements to verify the accuracy of the calculation, among other things. To the extent that PASI provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by PASI with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of PASI's advisory fee calculation.

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

## **Item 16: Investment Discretion**

In most cases, pursuant to client agreements, PASI does not have discretionary authority to determine which securities and the amounts of securities that are to be bought or sold for an account. Any changes to investments, including the PASI Model portfolios will be presented to clients as a recommendation. PASI requires written approval prior to implementing any recommendations.

However, in certain other cases, PASI has discretionary authority, pursuant to its written investment management agreements with clients, to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, the brokers or dealers through which transactions will be executed, and the amount of commissions or mark ups or mark downs paid. Any restrictions or limitations on PASI's discretionary authority must be made in writing and contained in the private fund client's offering memorandum, memorandum and articles of association, or limited partnership agreement and/or in the investment management agreement between PASI and the client. At this time, PASI's clients have not imposed any limitations on our discretionary authority.

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

As a matter of firm policy and practice, PASI does not have any authority to and does not vote proxies on behalf of clients.

The plan sponsors retain the responsibility for receiving and voting proxies for any and all securities maintained in plan portfolio. However, the firm may, upon request, provide advice to clients regarding the voting of proxies. Clients may contact PASI with any questions about solicitations.

All proxy voting information will be sent directly to the client by their custodian or transfer agent.

## **Item 18: Financial Information**

Registered investment advisers are required in this Item to provide certain financial information or disclosures about the firm's financial condition. PASI does not have any financial commitments that impair its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

PASI does not solicit fees of more than \$1,200, per client, six months or more in advance.

**ANY QUESTIONS:** PASI's Chief Compliance Officer, Melanie Hancock Brown, remains available to address any questions regarding this Part 2A.