



**PRIVATE  
CLIENT  
SERVICES™**

MEMBER FINRA, SIPC  
A Registered Investment Advisor

**Part 2A Appendix 1 of Form ADV: *Wrap Fee Program Brochure***

**PCS ADVISORY ALLOCATION ACCOUNTS (AAA),  
PCS PLUS PORTFOLIOS  
And  
THIRD PARTY ASSET MANAGER ACCOUNTS (TPAM)**

**Private Client Services**

2225 Lexington Rd  
Louisville, Kentucky 40206

Telephone: 502-451-0600  
Email: [esampson@pcsb.net](mailto:esampson@pcsb.net)  
Web Address: [www.pcsbd.net](http://www.pcsbd.net)

March 31, 2018

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

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

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

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

## **Item 2   Material Changes**

The SEC requires that an annual update of Form ADV Part 2A identify and discuss material changes that have occurred since the last annual update of this form, which was dated March 31, 2017.

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

Private Client Services has made three changes since the last update:

1. Private Client Services (PCS) has established a new name that it will now be doing business as. The DBA name is PCS Advisors. PCS Advisors is not a registered investment advisor, but is a name that has been established to differentiate the fee based advisory business from the commission based business processed through the broker/dealer side of the firm.
2. PCS has also established a new set of investment portfolios as an additional investment option for advisory clients. The new Plus Portfolios have been added to our Wrap Fee Program. The Plus Portfolios will be managed by the PCS Investment Committee and are made up of low cost investments (Such as ETF's) designed to reduce the overall costs to the client while providing an allocation of investments that are in line with the stated objectives and risk tolerance of the portfolios. Additional information on the Plus Portfolios is contained within the body of this disclosure, as well as within the ADV Part 2A Wrap Fee Disclosure.
3. With the formation of the PCS Plus Portfolios, and adding these portfolios to the TD Ameritrade platform as custodian of client assets, PCS will also have custody of these assets according to SEC Rule 206(4)-2. PCS will provide guidance to TD Ameritrade related to account fee billing for the Plus Portfolios, which creates a custody relationship between PCS and TD Ameritrade.

### **Item 3    Table of Contents**

<b>Item</b>	<b>Topic</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Services, Fees and Compensation	4
Item 5	Account Requirements and Types of Clients	10
Item 6	Portfolio Manager Selection and Evaluation	12
Item 7	Client Information Provided to Portfolio Managers	17
Item 8	Client Contact with Portfolio Managers	17
Item 9	Additional Information	17

#### **ITEM 4 SERVICES, FEES AND COMPENSATION**

Private Client Services (PCS) is an SEC-registered investment adviser with its principal place of business located in Louisville, Kentucky. PCS began conducting business in 2001. On December 31, 2017, total assets under management in wrap programs was \$241.7 million.

PCS utilizes three distinct and separate program platforms for its fee-based asset allocation accounts. The first is its proprietary Advisory Allocation Account (AAA) Program. The second is the use of PCS proprietary Plus Portfolios. The third is a Third Party Asset Manager (TPAM) Program, which currently provides client access to eight different asset managers with a broad array of asset allocation based models.

The AAA Wrap Program has been in existence since 2010. On December 31, 2017, assets under management in the AAA Program were \$117 million.

The Plus portfolios are new to investors as of 4/1/2018, and have no assets under management as of December 31, 2017.

PCS has offered access to TPAM since 2005. On December 31, 2017, assets under management in the TPAM Program were \$124.6 million. There were eight different TPAMs in the program at the end of 2017.

#### **Services – Client Financial Discovery and Risk Profiling**

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

Upon completion of the discovery and risk profiling process, the IAR will make a recommendation to manage the client portfolio on one of three different investment platforms that PCS offers to our clients; a proprietary PCS Advisory Allocation Account (AAA) wrap fee platform, proprietary PCS Plus Portfolios wrap fee platform, or an outsourced Third Party Asset Manager (TPAM) platform. Descriptions of the PCS AAA, Plus Portfolios, and TPAM platforms are detailed below. Given an individual client’s circumstances, there may be instances where various platforms might be utilized.

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

PCS IARs manage client accounts on both a discretionary and non-discretionary basis. Client consent for any and all trade recommendations or changes in asset allocation must be obtained prior to the execution of such trades or allocation changes within all non-discretionary accounts. Clients who elect to assign discretionary authority to their IAR are not required to approve individual transactional activity. Discretionary authority will be limited to portfolio management activities and do not include any authority related to disbursement of funds from a client account without express instruction from the client for each money movement (Systematic disbursement with approved request excluded).

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

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

The supervision, monitoring and review processes for client accounts are discussed below in Item 9.

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

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

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

## **Services**

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

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

Within the allocation to each asset class, PCS IARs will make individual security, mutual fund, exchange traded fund, or other investment vehicle recommendations to complete the construction of a given portfolio. For non-discretionary accounts, because client consent is necessary, the implementation of a given model's allocation and subsequent trading and rebalancing does not occur without client

acknowledgment and acceptance of the IAR's recommendations. Clients are under no obligation to take action on any recommendations.

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

***PCS AAA Model Allocations***

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

**PCS PLUS PORTFOLIOS**

The PCS Plus Portfolio platform is a proprietary wrap fee program which consists of five different asset allocation portfolios. The portfolios are strategic, providing five distinct models with fixed target allocations that are optimized across the entire risk and return spectrum. The asset allocation for each

of the five portfolios provides a fixed target from which portfolio drift and rebalancing is calculated.

Within each portfolio, the PCS Investment Committee will make portfolio changes of exchange-traded funds (ETF) to complete the construction and ongoing management of a given portfolio.

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

***PCS Plus Portfolios:***

<b>Model Name:</b>	<b>Description</b>	<b>Target Allocation</b>
<b>Conservative Plus</b> <i>Investment objective: Preservation</i>	For investors who are primarily interested in preserving their investment principal. Investors who choose this model seek low volatility and a low probability of capital loss.	32% Equity 66% Fixed Income 2% Cash
<b>Moderate-Conservative Plus</b> <i>Investment objective: Income and Moderate Growth</i>	For investors who seek moderate capital appreciation. Investors who choose this model are comfortable with only limited swings in the annual returns earned on their portfolios	63% Equity 36% Fixed Income 2% Cash
<b>Moderate Plus</b> <i>Investment objective: Balanced growth</i>	For investors who seek higher potential growth with relatively stable capital appreciation. Investors who choose this model feel that maximizing returns is equally important to minimizing risk.	76% Equity 22% Fixed Income 2% Cash
<b>Moderate-Aggressive Plus</b> <i>Investment objective: Capital growth</i>	For investors who seek high potential growth. Investors who choose this model are willing to accept an above-average risk in exchange for greater potential gains.	90% Equity 8% Fixed Income 2% Cash
<b>Aggressive Plus</b> <i>Investment objective: Aggressive growth</i>	For investors who want to build significant wealth over time, and are willing to accept greater risk to do so. Investors who choose this model will tolerate large market fluctuations in value in exchange for potentially greater returns.	98% Equity 2% Cash

**Services – Third Party Asset Manager (TPAM) Program**

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

PCS has established a due diligence process to investigate various aspects of each TPAM, including evaluation and analysis of historical investment performance, portfolio manager biographies and backgrounds, trading and operations policies, compliance, code of ethics and overall business enterprise risk.

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

PCS provides supervisory support and compliance testing to ascertain that client accounts are in compliance with the TPAM asset allocation model that has been recommended. PCS' annual account review processes take into account any changes in client circumstances and tests that investment strategies remain suitable.

*Monitoring of Investment Performance:*

We monitor client investments and the performance of their portfolios on a periodic basis, based on the procedures and timing intervals delineated in the supervisory procedures of Private Client Services. Investment performance is reported to the client at least quarterly, and a suitability review of investment objectives, risk tolerances and the selected benchmark occurs at least once annually. We supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

**PCS AAA Fee Schedule**

The annualized fee for PCS Advisory Allocation Accounts (AAA) is charged as a percentage of assets under management, according to the following blended fee schedule:

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

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the total market value of the client's account at the end of the previous quarter. Fees will be calculated by PCS and

debited from the account in accordance with the client authorization in the Client Services Agreement.

Should the advisory agreement be terminated by either the client or by PCS, the unearned fee is refunded to the client, based pro-rata on the number of days left in the billing period.

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

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

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

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

#### **PCS Plus Portfolios Fees:**

The annualized fee for PCS Plus Portfolios is charged as a percentage of assets under management and is determined based on the internal costs of the holdings in the portfolios, administrative costs of the program, and an advisory fee:

- Internal costs of the portfolio holdings typically range between 0.12% and 0.20% but may vary depending on the internal costs of the assets held within the portfolio.
- Administrative costs of managing the portfolios is 0.35%
- Advisory fees are set according to the agreement between the client and the advisor when the account is established and may vary up to a maximum of 1.5%.

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the total market value of the client's portfolio(s) at the end of the previous quarter. Fees will be calculated by PCS and debited from the account in accordance with the client authorization in the Client Services Agreement.

Should the advisory agreement be terminated by either the client or by PCS, the unearned fee is refunded to the client, based pro-rata on the number of days left in the billing period.

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

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

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

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

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

We do not enter into an advisory agreement with any client nor do we charge a fee to any client for referrals to third party asset manager. Our fees for such referrals are paid by the referred TPAM who shares with our firm a percentage of the fees received from the client. Client advisory fees are not increased in any way as a result of our referral of any clients to a TPAM. We typically receive 15% of the advisory management fee paid by the client to that TPAM.

Clients will receive a separate disclosure document describing the fee paid to us by the TPAM. Clients should refer to the TPAM's disclosure document for information regarding its fees, billing practices, minimum required investments and termination of advisory agreements.

### **GENERAL INFORMATION REGARDING FEES**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be refunded. In calculating a client's reimbursement of fees, we will pro-rate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund or ETF Fees:*** All fees paid to Private Client Services for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, fund administrative expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds

are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

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

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisors for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$600 more than six months in advance of services rendered.

## **COMPENSATION**

We reserve the right to enter into marketing arrangements with independent investment adviser and/or broker-dealer firms pursuant to which representatives of their firms ("Solicitors") offer our services, including participation in this program, to the public. Through these arrangements, we pay a cash referral fee to the Solicitor and/or their firm based upon a percentage of our advisory fee. The payment of referrals fees will not increase the amount of the fees paid by program participants. However, clients should be aware that the receipt of this compensation may create an incentive for the individual to recommend participation in this program over others for which no such compensation may be received.

As required by applicable law, the details of the solicitation arrangement, including the compensation payable to the solicitor, will be described to the client in a separate document provided to the client at the time of the referral.

## **ITEM 5 ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **MINIMUM ACCOUNT REQUIREMENTS**

Participation in AAA, Plus Portfolio and TPAM Programs is subject to certain minimum account requirements.

The PCS AAA account minimum is \$50,000.

The PCS Plus Portfolios account minimum is \$50,000.

Account minimums vary for TPAMs, with at least one of our eight TPAMs offering account minimums of

\$25,000.

However, **PCS reserves the right to waive the minimum account size where deemed appropriate.** Private Client Services may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

PCS AAA Program clients must direct Private Client Services as to the broker dealer to be used in managing their account. As a condition for program participation, clients are required to direct us to custody their assets with and to place trades through Pershing LLC. Pershing LLC is an affiliated FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. Private Client Services has negotiated an arrangement with Pershing LLC to provide custodial and brokerage services as part of the PCS Advisory Allocation Account Program. As such, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker dealer or custodian other than Private Client Services and Pershing LLC respectively. Please refer to the "Other Financial Industry Activities and Affiliations" section of Item 9 for additional information.

PCS Plus Portfolio Program clients must direct Private Client Services as to the broker dealer to be used in managing their account. As a condition for program participation, clients are required to direct us to custody their assets with and to place trades through TD Ameritrade. TD Ameritrade is an affiliated FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. Private Client Services has negotiated an arrangement with TD Ameritrade to provide custodial and brokerage services as part of the PCS Plus Portfolio Program. As such, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker dealer or custodian other than Private Client Services and TD Ameritrade respectively. Please refer to the "Other Financial Industry Activities and Affiliations" section of Item 9 for additional information.

## **TYPES OF CLIENTS**

Private Client Services provides advisory services in the PCS Advisory Allocation Account Program, PCS Plus Portfolio Program, and through Third Party Asset Managers (TPAM) where appropriate, to:

- Individuals
- Pension & Profit Sharing Plans
- Trusts
- Estates
- Corporations
- Charitable Organizations
- Partnerships
- Limited Liability Corporations

## **ITEM 6 PORTFOLIO MANAGER SELECTIONS AND EVALUATION**

### **PORTFOLIO MANAGER SELECTION**

All PCS AAA assets are managed by registered, independent Investment Advisor Representatives of our firm. These individuals must possess, minimally, a college degree and/or appropriate business experience and all required registrations/certifications.

The PCS Plus Portfolios are managed internally by the PCS Investment Committee, which consists of members of the Marketing/Research, Compliance, and Operations Departments, and Executive Management.

With regard to clients who select a TPAM account, PCS has established a thorough due diligence process to investigate various aspects of each TPAM, including evaluation and analysis of historical investment performance, portfolio manager biographies and backgrounds, trading and operations policies, compliance, code of ethics and overall business enterprise risk.

### **PORTFOLIO PERFORMANCE REPORTING**

PCS calculates the performance of all participating accounts based on standards drawn from industry sources, which may include the CFA Institute's Global Investment Performance Standards, or "GIPS", formerly known as the AIMR Performance Presentation Standards. Performance is currently calculated by taking into account some of the following items: a time-weighted rate of return; cash flows into and out of the accounts; monthly valuations; and income accrued on fixed income securities.

PCS has partnered with Pershing LLC to provide brokerage, custodial and other services for the PCS Advisory Allocation Account Program. We rely upon Pershing LLC to calculate portfolio manager performance. Pershing LLC uses the Bank Administration Institute ("BAI") method when computing performance. The BAI method is compliant with GIPS. The BAI is a non-profit organization that focuses on improving banking standards in the operations and auditing areas. GIPS is a set of standardized, industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients.

PCS has partnered with TD Ameritrade to provide brokerage, custodial and other services for the PCS Plus Portfolios Program. Performance reporting for the Plus Portfolios will be administered by Orion. Orion, the portfolio administrators run and review monthly reports to detect any position drift. We monitor performance on a monthly basis (at a minimum) for managers, investment research providers, and for our own analysis. Funds used in allocations are tracked on a daily basis and comply with the Global Investment Performance Standards (GIPS®).

We monitor client investments and the performance of their portfolios on a periodic basis, based on the procedures and timing intervals delineated in the supervisory procedures of Private Client Services. Investment performance is reported to the client at least quarterly, and a suitability review of investment objectives, risk tolerances and the selected benchmark is made available to each client at least once annually. We supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

All TPAMs calculate and present investment performance that is compliant with the CFA Institute's Global Investment Performance Standards.

## **AFFILIATED PORTFOLIO MANAGERS**

As previously disclosed, all client assets in the PCS AAA program are managed, on either a discretionary or non-discretionary basis, by registered, independent Investment Advisor Representatives of our firm.

The PCS Plus Portfolios are managed by the PCS Investment Committee.

## **PERFORMANCE-BASED FEES**

Private Client Services does not charge performance-based fees.

TPAMs utilized by PCS do not charge performance-based fees.

## **METHODS OF ANALYSIS**

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

PCS Plus Portfolios also use the following methods when evaluating portfolio selection and allocation within the various model portfolios.

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors, including the overall economy, industry conditions, and the financial condition and management of the company itself, to determine if the security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

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

***Technical Analysis.*** Technical analysis is the evaluation of the price and volume trading history and other associated characteristics to help identify price levels where a security might be purchased or sold. Measures of relative strength, trading volume, price support and resistance, price momentum and volatility are some of the attributes of a security which are taken into account when making purchase or sale decisions.

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the

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

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

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

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

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities that we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate, timely and unbiased data and analysis. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

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

We may use one or more of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

1. We believe the securities to be currently undervalued, and/or;
2. We want exposure to a particular asset class over time, regardless of the current projection for this

class.

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

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

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

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

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

The two types of options are calls and puts:

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

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

We use "covered calls", in which we sell an option on security currently held in a portfolio. In this strategy, the client receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the owner/client at an agreed-upon price.

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

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

## **Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

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

## **ITEM 7 CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

The Investment Advisor Representative is responsible for referring a client to the program, and will complete an account application and an in-depth risk profile questionnaire for each newly opened managed account. Through a process of discussion and discovery, PCS IARs evaluate and analyze a given client's particular financial goals, resources and constraints. Key determinants include the client's investment objectives, their investment and income time horizons, their risk tolerance, and their anticipated liquidity needs. Our IARs then develop and recommend one or more suitable personal investment strategies to create and manage an investment portfolio that will enable the client to reach their financial goals.

The relevant information is submitted to the PCS RIA Program Manager and PCS Designated Supervisory Personnel. A determination is made as to whether participation in this program is appropriate for the client. On an ongoing basis, the participating client's Investment Advisor Representative is responsible for obtaining and communicating to us any changes in the client's financial circumstances and/or objectives, including modifications to any client-imposed restrictions, if applicable.

PCS requires that the client's IAR review the questionnaire annually and confirm with the client that there are no changes in the client's investment objectives, to ensure the selected investment strategy remains appropriate for the client's circumstances and consistent with the client's investment objectives.

## **ITEM 8 CLIENT CONTACT WITH PORTFOLIO MANAGERS**

The client's Investment Advisor Representative is available to discuss the management and performance of the client's account, and consider changes in the client's situation which may have an impact on the client's investment objectives, risk tolerance and time horizon.

## **ITEM 9 ADDITIONAL INFORMATION**

### **Disciplinary Information**

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

Our firm and our management personnel have no reportable disciplinary events to disclose that are pertinent to the management and supervision of the Advisory Allocation Account.

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

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

***MANAGEMENT PERSONNEL Registrations:*** Management personnel of Private Client Services are separately licensed as registered representatives of Private Client Services, a FINRA affiliated broker-dealer. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

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

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

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

1. We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
2. We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
3. We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
4. Our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
5. We require that our employees seek prior approval of any outside business activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
6. We periodically monitor these outside business activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
7. We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

As previously disclosed, clients are required to direct us to custody their assets with and to place trades through Pershing LLC as a condition for participation in the PCS Advisory Allocation Account program. Pershing LLC is a FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. Our firm has evaluated Pershing LLC and believes that it will provide our clients with a blend of execution services, commission costs, and professionalism that will assist us in meeting our fiduciary obligations to clients.

Clients are required to direct us to custody their assets with and to place trades through TD Ameritrade as a condition for participation in the PCS Plus Portfolio program. TD Ameritrade is a FINRA-member broker dealer and the clearing firm and custodian that we use for brokerage accounts. Our firm has evaluated TD Ameritrade and believes that it will provide our clients with a blend of execution services, commission costs, and professionalism that will assist us in meeting our fiduciary obligations to clients.

In evaluating such an arrangement, the client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by Private Client Services on a trade-by-trade basis, and best execution may not be achieved. In addition, as noted above in Item 4, transactions in the client's account are effected "net" (i.e., without separate commission charge to the client) and a portion of the wrap fee is generally considered as being in lieu of commissions. Not all advisers require clients to direct it to use a particular broker dealer, though the sponsors of wrap fee programs typically do.

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

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

Private Client Services and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

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

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

Private Client Services and individuals associated with our firm are prohibited from engaging in principal transactions.

Private Client Services and individuals associated with our firm are prohibited from engaging in agency cross transactions.

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

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

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

As previously disclosed, related persons of our firm are separately registered as securities representatives of a broker-dealer, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to the preceding section for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Review of Accounts**

### **Private Client Services Advisory Allocation Account (AAA)**

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

These accounts are also periodically reviewed by: RIA Program Manager and/or Designated Firm Principals

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

### **Private Client Services Plus Portfolios**

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

Plus Portfolios, on at least a quarterly basis, are reviewed to identify any potential changes in portfolio holdings in order to maintain the portfolio objective, risk tolerance, or to improve potential returns within the portfolio.

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

whether the client wishes to impose investment restrictions or modify existing restrictions.

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

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

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

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

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

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

### **Client Referrals and Other Compensation**

It is Private Client Services' policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

It is Private Client Services' policy not to accept "soft dollar" compensation as it relates to Registered Investment Advisory business. However, Private Client Services can receive expense reimbursement from vendors for applicable educational programs relating to the availability of products and services in the Advisory Allocation Account as a mutual benefit to all parties, and may also receive reimbursement for technology expenses used to manage advisory business activities. These reimbursements will never be tied to any specific sales or asset minimum requirements.

### **Financial Information**

As an advisory firm we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations.

Private Client Services has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

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