

# Form ADV Part 2A

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## Uniform Application for Investment Adviser Registration

### **PEAK CAPITAL MANAGEMENT LLC**

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This brochure provides information about the qualifications and business practices of Peak Capital Management LLC, hereinafter referred to throughout this brochure as “PCM”, “We”, “Us” and “Our”. If you have any questions about the contents of this brochure, please contact us at (720) 361-4016 and/or [geoff@pcmstrategies.com](mailto:geoff@pcmstrategies.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Peak Capital Management also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with PCM who are registered, or are required to be registered, as investment advisor representatives of PCM. You can search this site by a unique identifying number, known as a CRD number. Our firm’s CRD number is 141488. PCM is a registered investment advisor. Registration as an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

## Item 2 - Material Changes

Peak Capital Management LLC is hereinafter referred to throughout this brochure as “PCM”, “We”, “Us” and “Our”. This version of the brochure includes changes, which may be material, to the version of the brochure in the annual amendment of Form ADV dated December 2018 previously filed:

PCM’s ownership changed in February 2020 (see Item 4).

Minimum investment went from \$1,000,000 to \$500,000 (see Item 5).

PCM provides separate accounts, marketing and distribution for CFRA Research (see Item 4 and 10).

A consent order is reported (see Item 9).

PCM has added Interactive Brokers as a custodian (see Item 12).

Currently, our brochure may be requested by contacting Geoff Eliason, Chief Compliance Officer at (720) 361-4018 or [geoff@pcmstrategies.com](mailto:geoff@pcmstrategies.com). Our brochure is also available on our website, [www.pcmstrategies.com](http://www.pcmstrategies.com), free of charge.

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## Item 4 - Advisory Business

### Business Background

Peak Capital Management, LLC (“PCM”) was formed in June 2007 as a Limited Liability Company (LLC) and is registered as an investment advisor with the Securities and Exchange Commission. Effective April 2013, the principal owners were Brian Lockhart and Geoff Eliason.

In February 2020 PCM was acquired by Shepherd Kaplan Krochuk, LLC, a Boston-based investment adviser registered with the SEC, which is now PCM’s sole Managing Member. Brian Lockhart remains as Chief Investment Officer and also became Chief Executive Officer of PCM following the acquisition, and he also holds an indirect minority membership interest in SKK, a direct membership interest in SKK Group, LLC, which serves as the managing member of the general partner or manager of a number of SKK-affiliated funds, and is a member of SKK’s Management Board. Geoff Eliason remains PCM’s Chief Compliance Officer and also became Chief Operating Officer following the acquisition. Although service enhancements are expected to be implemented, the PCM team remains in place and the acquisition is not expected to result in material changes to the services being provided by PCM to its clients. More information can be obtained about SKK in its Form ADV Part 2A brochure available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Also, see Items 10 and 11 of this brochure for additional information regarding our relationship with SKK.

PCM develops investment strategies designed to manage risk utilizing an absolute return philosophy. The basis of these strategies is to seek an investment return less dependent on the returns in the stock and fixed income markets, while seeking to reduce volatility.

### Advisory Services

#### Investment Management

Advisory services are tailored to meet the individual needs of clients with the use of an Investment Objective Confirmation (“IOC”). PCM then classifies each client into a risk tolerance level of one of the following: *aggressive, moderately aggressive, moderate, moderately conservative, and conservative*. Client funds are aggregately invested into models appropriate to their specific risk tolerance. These models are diversified, multi-strategy equity and fixed income portfolios that are tactical in nature and hold combinations of individual stocks, exchange-traded funds (“ETFs”), and/or mutual funds.

#### Sub-Advisory and Research Services

PCM’s knowledge in managing globally diversified portfolios primarily utilizing exchange-traded funds, individual stocks, and mutual funds enables other registered investment advisors to hire PCM to design and manage investment portfolios consisting of exchange-traded funds, individual stocks, and mutual funds and provide ongoing corresponding asset management services on a sub- advisory basis for a percentage of the portfolio’s assets. The advisors are responsible for gathering pertinent information from their clients about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account. The advisors then communicate the information to Peak Capital Management, while retaining the client as a direct relationship. In an advisory role, PCM is engaged by financial advisors and does not offer direct investment advice to the clients of other (third-party) advisors. PCM manages portfolios for third-party registered investment advisors pursuant to advisory agreements with the advisor. Terms of the services provided, the amount of and manner in

which fees are to be charged, and other penalties or termination provisions are subject to negotiation between both advisors and are outlined in the final agreement.

PCM serves as a research provider for CMG Mutual Funds Mauldin Solutions Core Fund and Separate Accounts. PCM receives compensation from CMG as a research provider.

#### Financial Planning

As part of its service offerings, PCM offers financial planning with respect to estate, retirement, and tax plans. Clients are under no obligation to contract for a financial plan service in order to receive investment management and may contract for financial planning without utilizing investment management services.

The initial financial planning engagement will include the following services:

- Review of the Client's personal and financial goals
- Net worth calculations and cash flow analysis
- Projection and estimation of federal and state income taxes
- Estate planning review
- Retirement income planning
- Investment portfolio evaluation and recommendations
- Education and succession planning, where appropriate

PCM does not require the prepayment of more than \$1,200 more than 6 months in advance.

#### **Tailored Services**

We offer individualized investment advice to every client based upon their specific circumstances, including investment objectives, financial goals and risk tolerance. Clients may impose restrictions on investing in certain securities or types of securities by providing in writing, and within 30 calendar days of advance notice, specific restrictions they wish to impose.

#### **Participation in Wrap Fee Program**

We do not participate in a wrap fee program.

#### **Regulatory Assets Under Management**

As of December 31, 2019, PCM's regulatory assets under *management* for 369 accounts totaled:

Client Discretionary Managed Accounts:	\$ 205,472,896
Client Non-Discretionary Managed Accounts:	\$ 0
Total:	\$ 205,472,896

## Assets Under Advisement

Assets under advisement refer to assets on which our firm provides advice or consultation but for which we either do not have discretionary authority or do not arrange or effectuate the transaction. Such services could include financial planning or other consulting services where the assets are used for the informational purpose of gaining a full perspective of the client's financial situation, but we do not actually place the trade.

Assets under advisement could also be those that we monitor for a client on a non-discretionary basis, where we may make recommendations but where the client is the party responsible for arranging or effecting the purchase or sale. A common example of this scenario is when we review a participant's 401(k) allocations. If we do not have the authority or ability to effect changes in the portfolio, these assets are likely considered assets under advisement rather than regulatory assets under management.

*Assets under advisement* are permitted to be disclosed in our Brochure as a separate asset figure from the *assets under management*. There is no requirement to disclose the assets under advisement figure, but we have opted to include the figure to give prospective clients a more complete picture of the firm's responsibilities.

The Firm had \$260,399,495 in assets under *advisement* for 25 accounts.

## Item 5 - Fees and Compensation

### Advisory Fees

The specific manner in which fees are charged by PCM is established in each client's written Investment Management and Fee Agreement with PCM, which continues in effect until terminated in writing by either party, without penalty. PCM does not require the prepayment of more than \$1,200 more than 6 months in advance. All fees are subject to negotiation. Generally, PCM is compensated for its services with an asset-based fee, paid quarterly in advance. Annualized fees generally range from 60 basis points or .6% to 100 basis points or 1% of assets under management or advisement based on the level of assets under management or advisement and other considerations. In order to effectively execute its investment strategies PCM requires a minimum investment of \$500,000. In certain situations, PCM may waive this minimum.

For clients whose assets are held at SEI, PCM is compensated for its services with an asset-based fee, paid quarterly in arrears.

### Sub-Advisory Services

PCM is compensated via third-party investment advisors as a portion of a percentage of assets under management (AUM) paid by their client for sub-advisory services. Fees paid to PCM by other advisors are generally 35 basis points on an annualized basis but can go up to 55 basis points with certain strategies. All fees PCM receives from third-party advisors and the written separate disclosures made to clients regarding these fees are designed to comply with applicable federal and state statutes, rules, legislation and law. It is the responsibility of the third-party advisor to provide their clients with the required written disclosures, including a copy of their Form ADV Part 2 and privacy policy.

PCM services as a research provider for CMG Mutual Funds Mauldin Solutions Core and Separate Accounts and receives compensation from CMG as a research provider

#### Financial Planning

The fees for financial planning are billed under a flat rate based on the extent and nature of the plan. Typically, fees for financial planning range from \$500 to \$15,000 based on the complexity of the services to be rendered and/or written financial plan. These services are provided under a separate agreement outlining the scope of the services, fees agreed upon and terms/conditions. PCM does not require the prepayment of more than \$1,200 more than 6 months in advance.

#### **How Fees are Paid**

##### Investment Management

On a quarterly basis, each household's assets are measured relative to the fee schedule. Quarterly fees will be calculated and applied each quarter based on the household balance. For clients whose assets are held at Charles Schwab, fees are automatically deducted from account balances on the first business day of each quarter, billed in advance, based on the assets under management on the last trading day of the prior quarter per written authorization in the Investment Management and Fee Agreement. Fees are calculated by multiplying the Client's account value as of the last day of the previous quarter by the Annual Fee Percentage stated on the Investment Management Agreement, divided by 4.

For clients whose assets are held at SEI, fees are automatically deducted from account balances on the last business day of each quarter, billed in arrears, based on the assets under management on the last trading day of the current quarter per written authorization in the Investment Management and Fee Agreement. Fees for these clients are calculated by multiplying the Client's account value as of the last day of the current quarter by the Annual Fee Percentage stated on the Investment Management Agreement, divided by 4.

For assets held outside the custodian, cost basis (unless 3rd party valuation is available) is used as the account value multiplied by the annual fee percentage divided by 4.

PCMs clients receive itemization of fees paid via the custodian-provided statements. Clients also receive, at least quarterly, statements from the custodian showing all disbursements and advisory fees.

##### Sub-Advisory Services

Fees for sub-advisory services are on a case-by-case basis and are specifically outlined in the Sub-Advisory Agreement between PCM and the third-party investment advisor. Typically, fees are billed quarterly in advance.

##### Financial Planning

This fee will be payable, in full, when the Client receives the final version of their financial plan.

#### **Other Fees/Expenses**

PCM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third-party investment advisors and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs also charge

internal management fees, which are disclosed in each funds' prospectus/disclosure document. Such charges, fees and commissions are exclusive of and in addition to PCM's fee, and PCM shall not receive any portion of these commissions, fees, and costs.

Advice offered by PCM may involve investment in mutual funds. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees, named after the statutory section authorizing such payments. These 12b-1 fees may be paid to the account custodian but are never transmitted to PCM. Recommendations made by PCM and its' Investment Advisor Representatives (IARs) are designed to be consistent with the best interest of the client.

Please see Item 12 for further description of the factors that PCM considers in selecting or recommending custodians for client transactions and determining the reasonableness of their compensation (e.g., transaction costs).

### **Termination**

#### Investment Management

PCM will refund to the client any unearned fees within five (5) business days of receipt, in writing, the desire to terminate the Investment Management and Fee Agreement. Fees will be determined on a prorated basis. Where the client has not received PCM's form ADV Part 2 at least 48 hours prior to engagement, the client may terminate the Investment Management and Fee Agreement without penalty within five (5) business days of signing the Agreement. Business days do not include federally recognized holidays.

#### Sub-Advisory Services

PCM will refund to the primary advisor any unearned fees upon the termination of the Sub- Advisory Agreement, given thirty (30) days written notice. Fees will be determined and refunded on a prorated basis.

#### Financial Planning

Where the client has not received PCM's brochure at least 48 hours prior to engagement, the client may terminate the financial planning agreement within five business days of the date of acceptance without penalty to the client. After the five (5) day period, the financial planning agreement may be terminated in writing before the completion of the plan. The fee will be determined by the percentage of the plan that has been completed.

### **Commissionable Securities Sales**

We do not sell securities for a commission.

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

PCM does not charge any performance-based fees.



## Item 7 - Types of Clients

### Type of Clients

PCM provides portfolio management services to individuals, high net worth individuals, pension and profit-sharing plans, charitable institutions, foundations, endowments, trust programs, third-party investment advisors and corporations and other business.

### Account Minimums

In order to effectively execute its investment strategies, PCM requires a minimum investment of \$500,000. In certain situations, PCM may waive the investment minimum.

### Pension & Retirement Plans

The following shall apply if the managed account(s) is for (1) a pension or other qualified employee benefit plan, including a 401K plan, governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”); (2) a tax-qualified retirement plan under section 401(a) of the Internal Revenue Code of 1986, as amended (the “Code”), and not covered by ERISA; or (3) an Individual Retirement Account (“IRA”) under section 408 of the Code.

The client represents that PCM, as applicable, has been furnished complete copies of all documents that establish and govern the plan and evidencing client’s authority to retain PCM. The client shall promptly furnish to PCM any amendments to the plan, and the client agrees that, if any amendment affects the rights of obligations of PCM, such amendment will be binding on PCM only when agreed to by PCM in writing.

The client agrees to maintain appropriate ERISA bonding for the managed account(s) and to include within the coverage of the bond PCM and their personnel and representatives as may be required by law. If the client is a pension or other qualified plan subject to ERISA, the client appoints PCM or the Portfolio Manager(s), and the Portfolio Manager(s) accept the appointment of the “Investment Manager” for the purposes of ERISA, and the Code. The Portfolio Manager(s) acknowledges that their firm is a “fiduciary” within the meaning of Section 3(21) of ERISA and Section 4975(E) (3) of the Code (but only with respect to the provision of services normally associated with a Portfolio Manager(s)).

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

### Methods of Analysis

PCM’s securities analysis methods include charting, fundamental, technical and cyclical analyses (defined below). Investing in securities involves risk of loss that clients should be prepared to bear.

- Charting – analysis performed using patterns to identify current trend reversals to forecast the direction of prices;
- Fundamental – analysis performed on historical and present data, with the goal of making financial forecasts;

- Technical – analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices; and,
- Cyclical – analysis performed on historical relationships between price and market trends.

PCM's advisory services are designed to build long-term wealth, while maintaining risk tolerance levels acceptable to clients. PCM combines investment objectives, time horizon and risk tolerance to yield an effective investment allocation strategy and then matches the strategy with our investment programs. Our program investments are typically made in open-end mutual funds, ETF's, closed- end funds, individual equities, options and individual bonds.

In analyzing and executing our various programs' strategies, we use a technical approach to guide our buy/sell decisions within our allocation process. Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend lines, among others.

### **Investment Models**

We are not bound to a specific investment strategy or ideology for the management of investment portfolios except for how such strategy might affect the pre-designed risk tolerance levels. Each strategy may use cash as a position, if volatility exceeds a certain threshold. There are no guarantees that any strategy will achieve its' stated objectives.

PCM's investment strategies incorporate the following methodologies:

#### **Dynamic Risk Hedged - U.S. Growth**

The strategy's primary objective is long-term growth of capital. Generally, the strategy will allocate capital to U.S. equities and Treasuries based on a risk budget. Roughly 95% of total portfolio risk is allocated evenly to five U.S. equity factors - momentum, value, size, quality and volatility. Roughly 5% of total portfolio risk is allocated to U.S. Treasuries. The strategy dynamically allocates as the correlations and volatilities of the underlying exposures changes over time. Under certain scenarios, if equities and Treasuries become highly correlated, the strategy can use a short position to the S&P 500 as a source of uncorrelated risk.

#### **Dynamic Risk Hedged - Global Growth**

The strategy's primary objective is long-term growth of capital. Generally, the strategy will allocate capital to global equities and U.S. Treasuries based on a risk budget. Roughly 95% of total portfolio risk is allocated evenly to five U.S. equity factors - momentum, value, size, quality and volatility, and geographic regions outside the United States. Roughly 5% of total portfolio risk is allocated to U.S. Treasuries. The strategy dynamically allocates as the correlations and volatilities of the underlying exposures changes over time. Under certain scenarios, if equities and U.S. Treasuries become highly correlated, the strategy can use a short position to the S&P 500 as a source of uncorrelated risk.

#### **Dynamic Risk Hedged - Income**

The strategy's primary objective is income generation. Generally, the strategy will allocate capital to traditional and non-traditional assets that provide current income. Total portfolio risk is roughly equally allocated to investment grade bonds, REITs, preferred stocks, high- yield bonds and dividend-paying stocks. The strategy dynamically allocates across the assets as correlations and volatilities change. Under certain conditions, if correlations rise, the strategy can use a short

position to U.S. Treasuries as a source of uncorrelated risk.

#### **Dynamic Risk Hedged - Balanced Income**

The strategy's primary objective is income generation with capital appreciation as a secondary objective. Generally, the strategy will allocate capital to assets that provide current yield. Total portfolio risk is equally allocated to dividend-paying stocks, REITs, and high-yield bonds. The strategy dynamically allocates across assets as correlations and volatilities change. Under certain conditions, if correlations rise, the strategy can use a short position to the S&P 500 as a source of uncorrelated risk.

#### **Dividend Equity**

This non-diversified strategy seeks maximum capital appreciation from the equity markets by investing 100% in individual stocks believed to offer a risk/return relationship more attractive than the overall market. Risk is managed by utilizing cash during periods of high market volatility.

#### **High Quality Capital Appreciation**

The focus of this strategy is to invest in high-quality stocks to receive a higher return on capital, while minimizing volatility and to provide dividend income with the prospect of growth.

#### **Intrinsic Value**

This strategy implements a value-based investing approach through use of several quantitative criteria.

#### **Industry ETF Momentum**

The Industry ETF Momentum strategy is a portfolio consisting of equal weightings of the five S&P 500 sub-industry ETFs with the highest trailing 12-month price returns. This list is reevaluated (and rebalanced) monthly.

#### **Nervous Nelly Global Equity**

This strategy allocates among the low-volatility subsets of global equity benchmarks that have historically delivered higher long-term returns with lower fluctuations in annual performances

#### **PCM Tax Lien Fund**

The PCM Tax Lien Fund gives investors access to tax liens but is closed to new investors as of March/April 2017. An asset class that is typically only available to large institutions and high net worth clients is now available for accredited investors who seek income and non-correlated total returns. Tax liens within the fund have high, established yields and are purchased in states where the rule of law favors investors.

### **Alternative Investments**

PCM, in certain situations recommends investments in selected private equity funds, hedge funds and/or commodity pools with various investment strategies described in their offering materials ("Alternative Investments"). These types of investments may present enhanced risks due to their customized strategies, use of leverage and lack of liquidity. In addition, such recommendations may be limited only to those clients that are deemed to be termed as "Accredited Investors" as defined in Regulation D under the Securities Act of 1933 or "Qualified Purchasers" as defined in the Investment Company Act of 1940, each as amended. These types of investments also have varied and unique fee structures of their own. Due to the complex nature and risks of these investments, clients will receive a separate disclosure prior to any investments being made. Additionally, SKK and its affiliates manage and advise certain Alternative

Investments in which some PCM clients have invested and in which PCM clients may invest in the future. Additional information regarding SKK’s relationship with PCM and Brian Lockhart and conflicts involved in recommendations of SKK’s Alternative Investments to PCM clients is provided in Items 10 and 11 of this brochure.

## Item 9 - Disciplinary Information

In February 2020 Brian Lockhart (“Lockhart”) entered into a Stipulation for Consent Order with the Colorado Division of Securities (“Stipulation”). In the Stipulation, the Staff of the Division (the “Staff”) alleged that Lockhart recommended an investment in a movie production company to some advisory clients and others regarding which he, as an Executive Producer, had a material conflict of interest that he maintains he disclosed orally to all of the clients. Multiple clients acknowledged such oral disclosure. The Staff determined that this recommendation was inconsistent with Lockhart’s obligations under Division Rule 51-4.8(IA)(K), which requires such disclosures to be made in writing. Under the Consent Order, Lockhart agreed not to violate Rule 51-4.8(IA)(K). No fine or other penalty was assessed.

## Item 10 - Other Financial Industry Activities and Affiliations

As a result of its acquisition by SKK, PCM now has relationships with related persons engaged in certain financial businesses that are material to the advisory business and clients of SKK, and therefore to PCM, as set forth below. Related persons include entities, members, officers and employees (except administrative staff) controlled by or under common control with SKK. These related persons are primarily the investment advisory subsidiaries of SKK (Shepherd Kaplan LLC (“SK”) and PCM) and entities related to the funds that SKK manages and advises.

Where SKK or one of its investment advisory subsidiaries, such as PCM, recommends investments to its or their clients in related businesses, or if SKK and its related persons (including PCM and its officers and employees) invest alongside clients of PCM or investors in businesses or private investment funds, including private investment funds that they manage, or participate in the management or governance of, or receive compensation, including securities, for services from, such businesses or private investment funds, conflicts of interest arise because SKK and its related persons may have interests different from those of PCM’s clients. These potential conflicts of interest with clients and investors are described further below in Item 11.

Entity	Function	Entity – Private Investment Company
Shepherd Kaplan Krochuk, LLC	Primary Investment Adviser	
Shepherd Kaplan, LLC	Sub-Investment Adviser	
SKK Closed-End Opportunities GP, LLC	General Partner of	SKK Closed-End Opportunities, LP
SKK Group, LLC	Manager of each GP or Manager listed in the column to the left	
SKK Provident Investors GP, LLC	General Partner of	SKK Provident Investors, LP
PCF Capital Markets, LLC	Broker Dealer	
SKK Real Estate GP II, LLC	General Partner of	SKK RE Ventures Fund II, LP SKK RE Ventures Fund PFD II, LP
SKK Topaz Partners (QP) GP, LLC	General Partner of	SKK Topaz Partners (QP), LP
SKK Topaz Partners GP, LLC	General Partner of	SKK Topaz Partners, LP

SKK Value GP, LLC	General Partner of	SKK Value Fund, LP
SKK Ventures Manager, LLC	Manager of	SKK Ventures, LLC
SKK Ventures QP Manager, LLC	Manager of	SKK Ventures QP, LLC
SKK 9i Ventures Manager, LLC	Manager of	SKK 9i Ventures, LLC
SKK 9i Ventures QP Manager, LLC	Manager of	SKK 9i Ventures QP, LLC
SKK Opportunity Zone Fund I Manager, LLC	Manager of	SKK Opportunity Zone Fund I, LLC

Samuel Kidston is the sole member and owner of North & Webster SSG, LLC which is an independent consultant through which he provides portfolio management services relating to assets under management by SKK. Mr. Kidston and North & Webster SSG, LLC provide input on potential investments in work-outs, liquidations, spin-offs, reorganizations, and bankruptcies, among other special situations. Investments can be structured through the use of various entities in which SKK management persons can also be involved. Potential conflicts of interest exist insofar as PCM apprises a client or investor to consider an investment in a fund which SKK manages.

PCF Capital Markets, LLC is a registered broker dealer and is owned primarily by Provident Healthcare Partners, LLC, a minority equity interest in which is held by SKK Provident Investors, LP, a private investment fund managed by SKK. Stephen Brackett, one of SKK's and SKK Group LLC's owners and a member of SKK's Management Board, represents the fund on the Board of Managers of Provident Healthcare Partners, LLC. SKK's indirect relationship with PCF Capital Markets, LLC creates potential conflicts of interest where, among other things, clients of PCF Capital Markets, LLC invest in SKK private investment funds; see Item 11 below regarding conflicts of interest.

In 2019 PCM entered into a contract with CFRA Research pursuant to which PCM provides separate accounts, marketing and distribution services.

In addition to his equity interest in SKK and SKK Group, LLC, Brian Lockhart has additional personal financial interests in SKK Opportunity Zone Fund I Manager, LLC and the SKK Opportunity Zone Fund I, LLC, so he would benefit personally in this regard from a PCM client's investment in that Fund. See Item 11 below regarding conflicts of interest.

PCM is the General Partner and manager of PCM Tax Lien Fund, LP ("Fund"), a private fund that invests in tax liens. The Fund may be offered to advisory clients; however, they are under no obligation to participate. Services offered through this fund are independent of our investment advisory services and are governed under a separate engagement agreement.

## Item 11 - Code of Ethics

### Description of Code of Ethics

The Code of Ethics includes provisions reminding employees of their obligations to clients including being objective, disclosing conflicts of interest, 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 at PCM must acknowledge the terms of the Code of Ethics annually, or as amended.

Personal Trading by Associated Persons

Officers, employees and contractors of PCM are allowed to maintain outside securities accounts and participate in PCM programs and therefore may buy or sell securities that PCM is recommending to its clients. In order to monitor such investments, the Code of Ethics establishes certain procedures to follow. Officers, employees and contractors of PCM who have access to non-public information regarding clients' purchases or sales of securities, are involved in making securities recommendations to clients or who have access to such recommendations that are non-public are considered "access persons". Access persons are required to report transactions and holdings for non-exempt investments held outside of a PCM program. Purchases of non-exempt securities and private placements require pre-approval and purchases of initial public offerings are prohibited.

Allocating Resources and Investment Opportunities

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with PCM's obligation of best execution. In such circumstances, the advisory affiliate and client accounts will share commission costs equally and receive securities at a total average price. PCM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

PCM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Geoff Eliason at [geoff@pcmstrategies.com](mailto:geoff@pcmstrategies.com).

**Conflicts of Interest**

Our firm and/or a supervised person may recommend to clients, and buy or sell for client accounts, securities in which our firm or a related person has a material financial interest. For example, in addition to his equity interests in SKK and SKK Group, LLC, Brian Lockhart has additional personal financial interests in SKK Opportunity Zone Fund I Manager, LLC and the SKK Opportunity Zone Fund I, LLC, so he would benefit personally in this regard from a PCM client's investment in that Fund. Also, clients may be solicited to invest in the PCM Tax Lien Fund, LP, a private fund for which the firm serves as the General Partner or in other similar investments that create a conflict of interest. Additionally, Geoffrey Eliason is a member of a family-owned T-shirt design and production company, Three Trees Design. In order to eliminate or mitigate the risk to you associated with such conflicts, all such transactions, including any investments by PCM clients in SKK funds, must be submitted to our Chief Compliance Officer for review and approval in advance. Conflicts and potential conflicts that relate to our affiliation with SKK and other conflicts are described below.

PCM and its access persons and SKK and its access persons may invest in hedge funds, private equity funds and other investments that are also recommended to PCM advisory clients, and PCM advisory client investments in such funds that are sponsored by SKK also benefits SKK and its related parties. PCM's policies and procedures seek to address conflicts or potential conflicts of interest that may arise in such situations as described below.

Conflicts Relating to SKK Private Funds and SKK Party Investment Alongside Clients and Investors

PCM will provide appropriate advisory clients with information and/or advice about investments in one or more of SKK's private equity and real estate fund offerings or other investment opportunities. Because of the potential conflicts of interest arising from such investments, it is incumbent upon such clients to independently evaluate such investments if they wish to pursue them. No such investment information or advice will be provided to institutional clients subject to ERISA.

Where SKK, PCM and their members, management board members, officers, employees and affiliates (collectively called “SKK Parties”) invest in private companies or funds alongside clients, or participate in management or governance, or receive compensation, including securities, for services from such companies or funds, or utilizes products offered by such companies, conflicts of interest arise, including where:

- A client’s investment in a private fund or company introduced or recommended by PCM increases the value of an investment held by an SKK Party;
- A client’s investment in a private fund or company in which an SKK Party has also invested provides liquidity to, or otherwise benefits, the private fund or company concerned;
- An SKK Party who has invested alongside a client has access to more information about the investment than the client and sells its position or buys more securities on the basis of that information;
- An SKK Party holds a different position in the company’s or fund’s capital structure than a client which creates different incentives to vote or take other actions affecting the client’s investment;
- An SKK Party’s investment involves certain voting rights or confers other powers to influence or participate in the governance of the investee company or fund which may differ from those of a client investor. Those rights and powers can result from serving as a director or officer of an investee company or fund, in which case the member or employee would be obligated to serve the interests of the company or fund, rather than the interests of any advisory client who has invested in that company or fund; or
- An SKK Party is compensated for serving on the board or as an officer of a company or fund in which PCM advisory clients have invested or serves in a consulting or advisory capacity. The receipt of such compensation, or the manner in which compensation arrangements are structured, may create incentives for such an SKK Party to act in a manner that does not prioritize the interests of advisory clients that are invested in the company or fund.

#### Outside Business Interests

To the extent that any SKK Party is involved in other businesses or occupations, potential conflicts of interest can arise with respect to the management of assets for investment advisory clients and investors in SKK-sponsored funds. For example, if an SKK employee is a director, officer or equivalent of a publicly traded company, or of a privately held operating company recommended to, and held in the portfolio of, a client, the employee is exposed to non-public, material information about the outside company or other companies which negatively affects the employee’s trading flexibility in managing client assets. Also, the employee receives compensation, including securities, from such company, which creates a bias in favor of the company. Conflicts of interest could arise because the employee could cause accounts managed by the employee to invest in a manner that favors his business interests. Accounts managed by the employee might acquire interests in businesses that are significant existing or potential customers or suppliers to an outside business of the employee. The accounts managed by the employee might seek to acquire assets that the other business also seeks to acquire.

#### Other Conflicts

Many conflicts of interest arise between and among the various entities and persons involved in the investment advisory services provided by SKK Parties, including clients, investors in the SKK Funds, companies that issue securities acquired or sold by clients or the SKK Funds, brokers who trade securities on behalf of clients or the SKK Funds, third parties such as custodians and administrators who provide services to the SKK Parties or the SKK Funds, and other persons or entities in the financial industry. Without limitation for example, an SKK Party, client or SKK Fund may invest in an unrelated company, mutual fund or private investment fund and an employee of such unrelated company, mutual fund or private investment fund may be a client of SKK or invest in an SKK Fund. SKK has recommended that clients

invest in an unrelated private fund that (i) has directly or indirectly extended credit to or invested in a company in which SKK Parties have invested, and (ii, through an affiliate of the fund, invested in SKK Funds or joint ventured with SKK in other projects. SKK Parties have received services from companies whose securities have been introduced to clients. These examples are only indicative in general of the kinds of potential conflicts that exist. With the various interrelationships among the SKK Parties, with clients, investors in the SKK Funds, companies in which investments are made, and third-party service providers on the one hand, and the changing nature of the relationships and circumstances on the other hand, further conflict scenarios will likely arise.

#### Conflict Mitigation

SKK and PCM will take steps that they reasonably believe will mitigate any material conflicts noted above that might arise. SKK and PCM believe that potential conflicts are mitigated by their investment process, and they will provide disclosures to clients and investors regarding conflicts and potential conflicts as necessary. Additionally, executive management and compliance personnel meet regularly to address conflicts and other compliance issues, which facilitates the identification, analysis, and remediation of perceived and potential conflicts. Any material conflicts of interest that arise are discussed and resolved on a case by case basis by senior personnel of SKK, SK and PCM.

## Item 12 - Brokerage Practices

### **Selecting or Recommending Broker-Dealers**

PCM recommends Schwab Advisor Services (“Schwab”) or SEI Investment Company (“SEI”) as custodians to its clients for execution. No client is obligated to use these custodian for execution of services; however, if a client designates the use of a custodian other than a recommended custodian, PCM retains the right to decline to enter into a relationship with the client if PCM believes that the use of the designated trust company or custodian would inhibit PCM’s ability to provide asset management to the client. In directing PCM to use a particular custodian or trust company, the client should recognize that PCM will not have the ability to guarantee best execution. In addition, under these circumstances, a disparity in fee charges (if any) may exist between the fees and commissions charged to other clients.

PCM recommends Schwab and SEI as they provide execution services and access to securities and funds that complement the investment strategies of PCM. In addition, Schwab and SEI provide confirmation of transactions and statements, not less than quarterly, which includes all transactions in the client’s account. Performance reporting is conducted by Orion, utilizing daily downloads of transactions from Schwab or SEI.

Clients utilizing Schwab or SEI as custodian for their accounts may pay transaction fees charged by the custodian that are fair and reasonable when compared to similar custodians. However, there can be no assurance that the fees charged by either of these custodians are the lowest available in the marketplace.

PCM receives no compensation from Schwab or SEI based on its recommendation(s). However, in certain circumstances PCM may recommend mutual fund investments, which have agreed to pay the custodian a service fee. Such recommendations will only be made if PCM believes it is in the clients’ best interest, and PCM never receives any portion of those fees.



### The Custodians and Brokers We Use

PCM does not maintain custody of your assets that we manage (although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see **Item 15 Custody**). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (“Schwab”), Interactive Brokers, or SEI as their qualified custodian.

Charles Schwab & Co., Inc., Interactive Brokers, and SEI are broker-dealers registered with the Securities and Exchange Commission (“SEC”), Financial Industry Regulatory Authority (“FINRA”) and members of the Securities Investor Protection Corporation (“SIPC”). PCM is independently owned and operated and not affiliated with Schwab or SEI. Schwab or SEI will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab or SEI as custodian/broker, you will decide whether to do so and open your account with Schwab or SEI by entering into an account agreement directly with them. We do not open the account for you. If you do not wish to place your assets with Schwab or SEI, then we likely cannot manage your account. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor.

### How We Select Brokers/Custodians

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for your account);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.);
- availability of investment research and tools that assist us in making investment decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- their prior service to us and our other clients and
- availability of other products and services that benefit us, as discussed below (see “Products and Services Available to Us from the Custodians we Recommend”).

**Your Custody and Brokerage Costs**

For clients' accounts, the Custodians we recommend generally do not charge you separately for custody services but instead are compensated by charging you commissions or other fees on trades that it executes or that settle into your account with them. These custodians' commission rates and asset-based fees applicable to our client accounts were negotiated based on our commitment to maintain a minimum amount of our clients' assets equity in accounts at the Custodian. This commitment benefits you because the overall commission rates and asset-based fees you pay are lower than they would be if we had not made the commitment.

**Products and Services Available to Us from Schwab, Interactive Brokers, and SEI**

Schwab Advisor Services (formerly named "Schwab Institutional") is Schwab's business serving registered investment advisor firms, like PCM. They provide PCM and its clients with access to institutional brokerage/trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us.

Like Schwab, Interactive Brokers and SEI also serves registered investment advisor firms, like PCM by providing us and our clients with access to institutional brokerage/trading, custody, reporting and related services – many of which are not typically available to SEI's retail customers. SEI also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. SEI's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us.

SEI offers us the SEI Wealth Platform—an innovative technology platform that provides us with sophisticated and comprehensive capabilities to help us manage or administer our clients' accounts and offers integrated custodian services using SEI Private Trust Company.

**Services that Benefit You**

Schwab's institutional brokerage services, Interactive Brokers, and the SEI Wealth Platform include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through these custodians include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services that May Not Directly Benefit You**

Schwab, Interactive Brokers, and SEI also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both the custodians' own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab or SEI. In addition to investment research, Schwab and SEI also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

### **Services that Generally Benefit Only Us**

Schwab, Interactive Brokers, and SEI also offer other services intended to help us manage and further develop our business enterprise. These services may include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab or SEI may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. These custodians may also discount or waive their fees for some of these services or pay all or a part of a third-party's fees.

### **Our Interest in Schwab's, Interactive Brokers, and SEI's Services**

The availability of these services from the custodians we recommend benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's, Interactive Brokers, or SEI's services. We believe, however, that our selection of Schwab, Interactive Brokers, or SEI as custodians and brokers is in the best interests of our clients based on many factors described herein. Our decision is primarily supported by the scope, quality and price of Schwab's, Interactive Brokers, and SEI's services (based on the factors discussed above – see "How We Select Brokers/Custodians" and not on Schwab's, Interactive Brokers, or SEI's services that benefit only us.

### **Research and Other Soft Dollar Benefits**

Although the investment research products and services that may be obtained by our firm will generally be used to service all of our clients, our firm does not accept products or services that do not qualify for Safe Harbor outlined in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution.

### **Brokerage for Client Referrals**

PCM does not receive brokerage commissions or transaction fees for client referrals.

### **Directed Brokerage**

PCM permits clients to direct brokerage; however, this may result in our inability to achieve the most favorable execution for client transactions. Client directed brokerage might cost clients more money.

For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices.

### **Aggregation of Orders**

PCM will process block trades of securities in multiple client accounts where possible and when advantageous to the client. Block trading of assets from multiple client accounts may decrease costs and allows PCM to execute trades in a timely manner. The objective is to allocate the executions in a manner that is deemed equitable to the accounts involved. In addition, following the completion of a block trade, the transaction costs are shared equally amongst all client accounts included in the block trade.

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

Brian D. Lockhart, Chief Investment Officer, Geoff Eliason, Chief Compliance Officer, and Clint Pekrul, Head of Research are responsible for the formulation and implementation of investment strategies. As a result, they review accounts on a regular and continuous basis, including the confirmation of executed transactions. Each individual account is reviewed no less than quarterly as to its' position in relation to the overall strategy. PCM has an investment committee that meets quarterly and its members currently include: Brian Lockhart, CFP<sup>®</sup>, Geoff Eliason, CFP<sup>®</sup>, Clint Pekrul, and John DeTore.

In addition, significant deposits and/or withdrawals of assets from accounts will trigger a review to confirm the security weightings within the overall strategy. At least annually, each client's financial position is reviewed to ensure that the investment strategy being pursued is accurate.

PCM will only deal with custodians that provide client statements, no less than quarterly and provide a complete transaction history during the reporting period, including all deposits withdrawals, purchases and sales. Regular meetings and consultations with clients, in person or by telephone may be held as needed.

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

### **Economic Benefits**

Other than described in Item 12 above, PCM does not receive any additional economic benefits.

### **Client Referrals**

In accordance with SEC 206-4-3 Advisor's Act, PCM may pay a solicitor fee, at a rate to be negotiated, to registered broker-dealers, investment advisors or sales representatives in accordance with the terms of a written Solicitor Agreement and after execution of a written Solicitor Disclosure Statement by each client of such persons. The solicitor fees paid by PCM are done so from the investment advisory fee paid by the client. The payment of a solicitor fee will not increase the investment advisory fee paid by the client, nor will the absence of paying a solicitor fee decrease the investment advisory fee paid by the client. Solicitors are only authorized to work with potential clients in an impersonal fashion.

## Item 15 - Custody

As manager of PCM Tax Lien Fund, LP, PCM is deemed to have custody of the cash and securities held by this Fund. In compliance with SEC Rule 206(4)-2(b)(4)(i), the Fund sends an audited financial statement, audited by a registered Public Company Accounting Oversight Board (“PCAOB”) accountant, to each Fund investor within 120 days of the Fund’s fiscal year end. By ensuring these steps are followed, PCM’s annual surprise examination requirement is satisfied.

Clients should receive at least quarterly statements from the qualified custodian that holds and maintains client’s investment assets. PCM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16 - Investment Discretion

Generally, clients provide written authorization to PCM and its advisory representatives to grant discretionary authority over the securities and the amount of securities bought or sold on the client’s behalf. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Investment guidelines and restrictions must be provided to PCM in writing. PCM and/or its representatives may buy or sell securities for itself that it also recommends to its advisory clients.

## Item 17 - Voting Client Securities

As a matter of firm policy and practice, PCM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Any ownership communications will be forwarded to the client for review and/or voting. PCM may provide advice to clients regarding the clients’ voting of proxies.

## Item 18 - Financial Information

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about PCM’s financial condition. PCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

PCM is not required to include financial information in our Disclosure Brochure since we will not take custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.00.

**- END OF BROCHURE -**