

April 22, 2015

Dear Client,

We hope this letter finds you well. Enclosed, please find your 1st Quarter performance report and a copy of your invoice.

In addition to our review of 1st quarter 2016 market activity, we will take an in-depth look at the steps PFM takes to safeguard your assets. Our mission statement, if you have not seen before, is *Providing Financial Security for Life*. You have entrusted us to help provide this security through implementation of financial planning and a sound long-term investment strategy with the aim of accomplishing your long-term goals. However, an often overlooked component of our service to you is security of another kind – helping to protect your assets from fraudulent activity. Our discussion below will highlight the major benefits we provide clients on this front to help keep your assets and information safe.

1st quarter 2016 in Review

US equity markets experienced one of their most volatile quarters ever with tremendous downside and upside volatility that had US Equity markets slightly positive by quarter end. With the exception of International Developed Markets, all major global asset classes (stocks, bond and REIT's) did advance. Looking at the broad market indices, emerging market stocks outperformed developed market stocks, including the US. Bond interest rates generally declined across all US fixed income markets during the quarter, pushing bond returns higher. Actual results across all markets are compared against those of last quarter to provide some perspective:

	US Stock Mkt.	International Dev. Mkts	Emerging Mkts	US Real Est.	US Bond Mkt.	Global Bond–ex US
Q1 '15	+0.97%	-1.95%	+5.71%	+5.12%	+3.03%	+4.16%

Source: Russell, MSCI, Dow Jones, Barclays and Citigroup

On the size and relative price spectrums, the results were mixed. The value premium was positive in the US and emerging markets but negative in the developed markets outside of the US. Small caps outperformed large caps in the non-US markets but underperformed in the US and emerging markets. For a full look at market results you can go to our website and view the entire breakdown.

Safeguarding and protecting your assets

Part of providing financial security to clients is providing a level of assurance that their assets and information are protected. PFM and our custodial partner, TD Ameritrade, take this very seriously and together we provide additional layers of fraud protection you may not have otherwise. Below are some of the most prominent practices and procedures we employ to protect and help eliminate fraudulent activity.

Third party custody of assets: The most prominent measure we take for your safety is the custody of your assets with a third party custodian, TD Ameritrade. Use of a third-party custodian minimizes

Fee Only Investment Advisory and Financial Planning

exposure to risk and fraud by establishing a secure check-and-balance relationship between PFM and TD Ameritrade. With this in place, the accounts that are established are your accounts and despite our assistance in helping you establish and maintain them, they remain under your ultimate control. As such, we have no authority to access your funds (with exception of pre-approved withdrawals for our fees as described below) or change account information. However, to assist you with account maintenance and for the actions necessary to advise and manage your portfolio, you have granted our firm limited powers (discretionary trading and in some client circumstances, ability to take our advisory fee). Any action with regard to your accounts that you initiate directly with PFM is followed by notification to you from TD Ameritrade, and, any action initiated directly with TD Ameritrade is followed by notification from TD (via phone or our online access), which in turn, results in our reaching out to you. Either way, the checks and balances process works to make sure there is no unauthorized activity on your accounts, as further delineated below.

Bottom Line – While we have been granted specific limited authority by you, we do not have full authority over your accounts and all direction with regard to administrative action must be, at the very least, verified by you, the client.

Portfolio withdrawal / distribution requests: When you request a distribution from your portfolio, it is our practice to confirm the request with you verbally – hearing your voice and making a direct association. In the event we do receive a call and your voice is either not recognizable or, you reach a team member who is not familiar with your voice, we will arrange to call you back to verify the request. If the request is initiated through email, we will reach out to you by phone prior to processing any request.

If the distribution is requested directly through TD Ameritrade (whether by direct call, check, or written request), TD has several procedures in place to check identity. If a phone call, TD will request ask for several forms of personal identification (full Social Security number, birthdate, account number, address of record, name of Advisor, and account numbers, just to name a few). If anything appears suspicious, such as the amount, signatures that don't match, an inconsistency with previous transactions, or request to a third party address, etc., the matter is escalated to Risk Management and we will be subsequently notified, resulting in our reaching out to you to verify the transaction. As a backstop to this, we are notified of all client transactions via our TD Ameritrade access, so if we see something that is not consistent with current communication or general behavior, we will be reaching out to verify.

While these procedures can be a hassle for you, they are in place for your own security. On a few occasions we have had instances where a client's email has been hacked and a withdrawal request was made with request payable to a 3rd party account (don't be alarmed, this is much more common than you might think). In each instance, we quickly identified the breach, the client was informed and the appropriate measures were taken to re-secure their email account.

Bottom line – When you need money from your portfolio, please reach out by phone to our office. We will then have time to review the portfolio for determination of what should be sold to have the cash available. It takes one day to have the funds available and depending on the account, may take another few days or so before you have access (i.e. IRA, Roth IRA or other qualified account, as any cash in these accounts require a written authorization to withdrawal funds).

Activity messages and statements from TD Ameritrade: Whenever there is activity in your account, TD Ameritrade sends a confirmation and/or record of the activity, directly to you. This typically is in the form of an email message asking you to log-in to your TD Ameritrade account to view a message. The activity messages encompass all actions, most typically reflecting buys, sells, transfers, deposits, and withdrawals.

TD also sends you a monthly statement for each of your accounts. While our office also receives copies of these statements, they are sent to you directly (mail or by electronic notification) to ensure you are aware of any and all activity with regard to your accounts. As we have stressed to you before, it is important that you review your statements periodically, comparing them to the statements provided to you by our firm. Again, this is another pre-cautionary measure taken to ensure your assets are safe.

Bottom line – It is important for you to receive and review these messages from TD Ameritrade. If for some reason you do not believe you are receiving them from TD Ameritrade, please reach out and let us know.

TD Ameritrade Asset Protection Guarantee: TD Ameritrade believes so strongly in their risk management practices that they have an asset protection guarantee. Their guarantee states, “If a client loses cash or securities from their account due to unauthorized activity, TD will reimburse the client for the cash or shares of securities they lost.”

Bottom Line – As long as you have not knowingly provided your account information to an unauthorized third party, TD Ameritrade will stand by this guarantee.

Office Communication to Clients: Security of your personal information is obviously a vital concern, so all communication from this office regardless of medium is screened to limit the sharing of content or documents that might contain vital personal information (Social Security numbers, birthdates, account numbers, etc.) when use of this information is required. Our primary concern is transmission of this information over email. PFM uses Microsoft Outlook and when we communicate with you through email, all messages containing sensitive information are password protected to ensure that, even if your email has been compromised, there will be difficulty accessing the information. We will be implementing a portal process for messages in the future that will further ensure security on this front and will keep you posted on our progress with this.

Bottom line – While sharing of sensitive information is vital to getting some business accomplished, we need to make sure the information is protected and also encourage you to exercise prudent procedures when sending sensitive information to us. As you might guess from e-mail practices being all over the news media today, best in class solutions for sharing sensitive information is to use email intelligently by either not including sensitive information, or by password protecting messages to limit unauthorized access.

We will continue this dialogue in future communications, including recommending additional steps you can take to protect yourself from fraud and identity theft. We hope you have found this information useful and encourage your questions and feedback.

As always, thank-you for the opportunity to serve as your financial advisor.

Sincerely,



Doug Babcock, CFP®



Bob Frey, MS, CFP®