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Part 2A of Form ADV: FIRM BROCHURE

March 28, 2019

This brochure is a required document for all investment advisers and provides information about the business practices of Professional Advisory Services, Inc. (PASI). If you have any questions about the contents of this brochure, please contact us at 1-800-847-7274. 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 PASI is also available on the SEC's website www.adviserinfo.sec.gov. You can search this site by an identifying number known as a CRD Number. Our Firm's CRD Number is 105397.

Item 2: Material Changes

Professional Advisory Services, Inc. (PASI) is required to inform all clients and prospective clients of any material changes since the last update of our brochure dated March 2, 2018. We are taking this opportunity to advise you that PASI is recommending a change in the custodial relationship for a majority of our clients who currently hold assets in custody at State Street Bank and Trust. PASI has undergone a due diligence process in researching custodial services and is recommending clients who currently have custody with State Street Bank and Trust, move custody of their account(s) to Bank of New York Mellon. The transition is slated to be completed by August 2019. No other material changes have occurred since we last updated our brochure March 2, 2018. For more information on custody of client assets, please see Item 15 page 11.

We will continue our practice of offering or delivering information about our qualifications and business practices to clients on at least an annual basis. Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our fiscal year. We may further provide other interim disclosure information about material changes as necessary.

For questions regarding this brochure, contact Carol Ligon Bieber, Principal/Chief Compliance Officer at 800-847-7274 or carol@pa-services.com.

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*A brochure supplement containing information about PASI's principals
and key employees is available upon request.*

Item 4: Advisory Business

With a vision to create a better investment experience, Kenneth M. Ligon and Ronald J. Jaffe, M.D. co-founded Professional Advisory Services, Inc. (PASI) in 1977. Built on a foundation of integrity and personalized service, PASI has grown to become one of the largest independent money management firms in Florida with clients in 31 states and \$798,756,725 under management as of 12/31/18. All assets are managed on a discretionary basis with the investment committee determining the holdings in our core portfolio.

Principal Owners:

PASI remains a family-run business with the second generation at the helm continuing the traditions upon which the firm was built. The three firm principals are David Alan Jaffe, M.D. (President), Ken McGarvey Ligon, III (Vice-President), and Carol Ligon Bieber (Secretary, Treasurer, and Chief Compliance Officer).

Type of Advisory Service:

PASI acts in a fiduciary capacity which mandates that client interests are placed ahead of adviser in all dealings.

PASI has a nine member investment committee/portfolio management team committed to helping our clients reach their financial goals by seeking out the most attractive investments through independent research and a disciplined investment approach. Through personal discussions with our clients, we identify their goals and objectives based on each client's particular circumstances. PASI primarily invests client dollars in two asset classes – high quality stocks and investment grade corporate and (where appropriate) tax-free municipal bonds. The allocation of dollars to each asset class is tailored to the individual client's risk tolerance and financial situation. The mix is modified only when dictated by a change in client circumstances or major economic shift. Please see *Item 8: Investment Strategy, Methods of Analysis, and Risk of loss* on page 6 of this brochure for further discussion of our investment style.

On occasion, clients may make special requests for their own portfolio. Please see *Item 16: Investment Discretion* on page 12 for a discussion on this topic.

Additionally, PASI publishes a quarterly newsletter which is sent to all clients. Recent issues can be found on our website www.pa-services.com.

Item 5: Fees and Compensation

We work strictly on a fee for service basis calculated on dollars under management. Our fee begins at 1% annually, with a declining rate structure beyond the first \$500,000. As a fee-based adviser, our interests are completely aligned with our clients – the growth of the account values. To achieve a beneficial reduction in fees, related accounts are aggregated to calculate billable asset value.

BILLABLE ASSET VALUEANNUAL FEE SCHEDULE

First	\$500,000	1.0% of Asset Value
Additional	\$500,000	0.9% of Asset Value
Additional	\$1,000,000	0.8% of Asset Value
Additional	\$1,500,000	0.7 % of Asset Value
Additional	\$1,500,000	0.6% of Asset Value
All Additional		0.5% of Asset Value

Fees above are expressed on an annual basis. Billing is calculated on the accrued account value at the end of the quarter based on the custodian's statement and billed at 1/4th the rate shown above. Our billing is submitted to the client within thirty days after the end of the quarter in which our services were provided. Clients may elect to have fees deducted by signing a fee deduction authorization kept on file with the custodian and PASI. If fees are deducted from an account, we will send a copy of the invoice to the client along with a statement specifying the information is for their records only and that the fee has been deducted. New or terminating accounts managed less than a full quarter will be billed a prorated amount.

Our bills are due and payable within a reasonable length of time; there is no service, maintenance, penalty or interest charge for late payment.

We have a written agreement containing our standard fee schedule as outlined above which serves as a contract between our company and its clients. The agreement contains the provision that we will not assign the agreement without the client's consent. Either party can terminate the agreement at any time upon written notice. Any deviation resulting in a nonstandard agreement must be negotiated.

PASI does not have custody of client assets. All client assets are held in custody by unrelated third party custodians. Clients sign a separate agreement with the custodian which includes the custodial fee agreement. PASI does not receive any commissions or fees from custodians or broker/dealers.

A Bloomberg System has been installed in our office providing interactive financial information including direct electronic trading. Currently, Bloomberg charges a nominal commission of \$0.025 per share of stock bought or sold. Please see *Item 12: Brokerage Practices* on page 10 for more information on our brokerage arrangements.

Some accounts are housed at brokerage firms or other banks per the client's direction. We monitor broker execution and commissions closely for accounts housed outside our primary custodian, consulting with the broker and client if costs are found to be outside acceptable norms for similar size trades. These clients are reminded of the option to house the account at our primary custodian whenever beneficial to the client.

Item 6: Performance-Based Fees and Side-By-Side Management

PASI does not base fees on performance nor engage in side-by-side management.

Item 7: Types of Clients

The majority of PASI clients are individuals with personal custodial accounts, trusts, and individual retirement accounts (IRAs). We also invest for a number of corporate clients who have pension, profit sharing, and 401(k) plans. Additionally, we invest for charities and business entities. Although we do not have a stated minimum balance to open an investment account, the majority of clients opening new accounts have an investable balance of \$100,000 or more.

Item 8: Investment Strategy, Methods of Analysis, and Risk of Loss

Investment Strategy

PASI invests client funds in two primary asset classes – equities and fixed income. Our goal for the equity portfolio is capital appreciation and dividend income while moderating risk through diversification and equity selection. PASI primarily invests in high-quality large capitalization growth stocks, with a mix of small and mid-capitalization companies. We prefer companies that are leaders in their industries, trading at attractive valuations, with a history of consistent earnings growth, increasing dividends, and a strong balance sheet. We do not invest in limited partnerships, private equity, hedge funds, currencies, precious metals, commodities, insurance products, or derivatives. From time to time a special client request may be made and this will be documented for their account. On the fixed income side, PASI purchases primarily investment grade corporate bonds, and, where appropriate, tax-free municipal bonds.

Methods of Analysis: Equities

PASI performs fundamental analysis to identify companies suitable for client portfolios using top-down and bottom-up analysis as discussed below:

Top-Down Analysis

1. Our top-down analysis begins with an assessment of the global and U.S. economy to determine the current stage and likely outcome of the business cycle. For instance, if after a sustained period of economic expansion we observe rising inflation and associated rising interest rates due to tighter Federal Reserve Policy, we will tend to favor more defensive, less economically sensitive stocks while maintaining a diversified portfolio.
2. PASI evaluates representative stocks from major industries comparing their current valuation measures relative to the aggregate stock market. This valuation analysis helps us determine which industries may represent investment opportunities.

Bottom-Up Analysis

1. PASI utilizes a fundamental, bottom-up investment analysis to determine the most attractive companies from the standpoint of competitive position, financial strength, and stock valuation. Existing holdings are subjected to the same rigorous analytical scrutiny as prospective stocks.

2. PASI performs a comprehensive assessment of each holding annually with periodic updates occurring throughout the year. This assessment consists of a thorough financial statement analysis which seeks to identify:

- Internal revenue growth rates (growth without the benefit of acquisitions)
- Factors affecting operating margins through income statement analysis
- Quality of earnings - avoiding companies with excessive "non-recurring" charges or earnings growth achieved through accounting ploys such as one-time tax benefits, lengthened depreciation schedules, or more favorable pension plan assumptions
- Management's record in allocating free cash flow to best serve shareholders' interests
- Financial strength - PASI favors companies with the cash flow to pay off annual debt maturities with internally generated cash flow

3. In addition to financial analysis, PASI investigates qualitative factors, particularly those encompassing companies' competitive positions and the growth and profit potential of the industries in which they compete. Some factors affecting competitive strength include:

- Supplier bargaining power - Is the company in a position of power concerning the purchasing of the supplies it needs to run its business (including labor)?
- Buyer bargaining power - Can the company dictate price to its customers or do its customers have access to many competing products or services?
- Threat of entry - Can new competitors easily enter and successfully compete in a company's industry?
- Intensity of rivalry among existing competitors - Does a company's industry have a history of strong competition?
- Threat of substitute products - Are there other products that potentially act as substitutes in the event that a company raises the prices of its product?
- Longer term secular changes - Do advancing technologies and/or other long-term factors represent a headwind or tailwind for the company and the industry in which it competes?

The Investment Committee meets regularly to discuss PASI's investments. Both the purchase of new stocks and the sale of existing positions must be presented to and receive a majority vote by the Investment Committee.

Methods of Analysis: Fixed Income

PASI primarily purchases investment grade corporate and municipal bonds seeking best available yield to maturity (or yield to call, if applicable).

With corporate bonds, PASI performs a credit analysis similar to the considerations for stocks. Specifically, PASI favors bonds of companies with strong balance sheets and competitive

positions that generate sufficient cash flow needed to pay off their annual debt maturities internally, or without having to access the capital markets for additional financing.

In the purchase of municipal bonds, PASI focuses on municipalities' underlying credit ratings, the credit rating outlook, the revenue streams available to the municipality to pay bond interest and repay the principle, the economic conditions affecting the municipality, and the municipality's budget position.

Risk of Loss

Investing in all securities involves risk of loss that clients should be prepared to bear.

Risk of stock investing

Equities have two fundamental risks: risks related to volatility in the overall financial markets (market risk) and company specific (diversifiable) risk.

PASI portfolio managers address **market risk** by maintaining an appropriate asset mix (the percentage of stocks vs. bonds in the portfolio) given each client's individual financial situation and risk tolerance. The asset mix is modified when dictated by a change in client circumstances or major economic shift.

PASI reduces **diversifiable risk** through three primary mechanisms: 1) focusing on industry leading companies with solid balance sheets, 2) diversification of the overall portfolio using a disciplined and thorough asset selection process, and 3) limiting our stock positions to target no more than 5% of the overall stock portfolio. Typically, the stock portion of the portfolio is comprised of 30 to 35 companies diversified by sector (e.g. healthcare) and industry (e.g. pharmaceuticals, medical devices, and biotech). Our focus on valuation provides a measure of downside protection and preservation of capital in bear markets. Note, however, that while PASI's investment process lowers both diversifiable and market risk, these risks cannot be eliminated.

Risk of Bond Investing

Fixed income securities present two primary risks. The first is **interest rate risk**, or the risk that interest rates will rise and cause bond prices to fall. This risk is much higher for bonds with longer maturities than for those with shorter maturities. To address interest rate risk, PASI ladders bond portfolios over a relatively short range (typically five-years) and usually holds bonds to maturity.

The second primary risk faced in investing in bonds is **credit risk**, or the risk that a bond issuer will default. PASI reduces credit risk by:

- 1) Analyzing bond issuers' financial strength
- 2) Purchasing primarily investment grade corporate and municipal bonds
- 3) Limiting exposure to any one particular bond issuer
- 4) Continual monitoring of issuers' credit ratings and bond pricing

PASI's fixed income portfolios are designed to provide a steady stream of income and act as a stabilizer for clients' portfolios during stock market declines. However, while PASI's fixed income investment process can lower interest rate and credit risk, these risks cannot be eliminated.

Item 9: Disciplinary Information

There have been no disciplinary events for our firm since we were established in 1977.

Item 10: Other Financial Industry Activities and Affiliations

PASI is an independent privately owned investment advisory firm, focused solely on the business of investment management.

Item 11: Code of Ethics, Participation in Client Transactions and Personal Trades

PASI maintains a *Code of Ethics and Business Conduct* which outlines our standards of conduct in dealings with clients, staff, regulators, and business associates. The Code provides guidelines to prevent the misuse of material non-public information. All officers and employees receive a copy of the Code which they annually acknowledge in writing. They are educated in the meaning of all aspects of the Code through compliance meetings and are required to comply. PASI is committed to maintaining and enforcing the Code. Failure to comply with this Code may lead to disciplinary or criminal proceedings. Any sanction including censure, suspension, or termination shall become a part of the employee's permanent personnel file. Records relating to the Code will be retained five years beyond effective dates of use per current SEC regulations.

PASI employees may invest in the same securities that are recommended to clients. Employees submit an annual holdings report to the compliance officer as well as reports of all monthly employee trades. Annual holdings and monthly trades for the CCO are reviewed by another member of compliance. Reports are carefully reviewed by management for violations. Employee trades should never be of sufficient magnitude to materially impact the price of an asset. Procedures for the reporting of personal securities transactions and holdings are set out in detail to prevent conflicts of interest. Should an employee wish to buy or sell a security for themselves that is under review by the investment committee, the employee is required to obtain pre-clearance from compliance and the request is documented. Some employees have accounts that use the same custodian as used by the majority of clients. These accounts may invest in the same securities as clients and may be part of an aggregated trade. All accounts involved in the aggregated trade will receive an average price and transaction costs will be shared equally on a pro-rata basis. It is also our policy to prohibit employees from engaging in cross trades for their

personal accounts. Violation of trading policies will result in disciplinary action and/or termination of employment. Please see *Item 12: Brokerage Practices* on this page for more information on our brokerage arrangements.

Our Code of Ethics and Business Conduct is furnished to clients and prospective clients upon request. You may read our entire Code of Ethics by visiting our website at www.pa-services.com.

Item 12: Brokerage Practices

We select brokerage on the basis of best execution, discounted commissions, and research services provided. PASI is not a representative of and does not receive shared earnings from any brokerage firm, engage in any related party arrangements, nor pay for referrals. PASI does not receive any compensation other than the fees described in *Item 5: Fees and Compensation* on page 4.

A Bloomberg System has been installed in our office providing interactive financial information including direct electronic trading. This enables PASI to seek best execution from a single platform. Bloomberg installed this system in exchange for anticipated commissions. Currently, Bloomberg charges clients a nominal commission of \$0.025 per share of stock bought or sold. Should PASI not execute enough trades to cover the required commission level, an offsetting charge will be deducted from the PASI soft dollar account previously established with Bloomberg. This account also pays for research materials such as Value Line and fees for the American and New York Stock Exchanges. Although clients benefit from reduced commissions due to this negotiated trading system, PASI also benefits because we do not have to pay for all outside research, services, and exchange fees. All accounts that execute trades through Bloomberg receive equal benefit from this arrangement.

Trades executed using the Bloomberg system are aggregated. All accounts receive an average price and transaction costs will be shared equally on a pro-rata basis. Occasionally, trades may have to be expedited to settle next day instead of standard two day. In these instances, the expedited trade is broken out from the aggregated trade and will likely have a different execution price based upon the time the trade was placed.

In selecting the brokers used in fixed income transactions, we obtain competitive bids and offers, choosing the best for our clients. We deal with several bond traders as well as several electronic trading platforms, selecting those which offer the best value.

Some accounts are housed at brokerage firms or other banks per the client's direction. Clients who direct brokerage should be aware that there may be disadvantages including a delay in the timing of execution and that they may pay higher brokerage commissions. These clients are reminded of the option to house the account at our primary custodian whenever beneficial to the client.

At times, upon a client request, we will suggest a broker who meets our criteria regarding discounted commissions, best execution, and whom we believe will respect our client's investment perspective. No consideration is accepted for such referrals.

Item 13: Review of Accounts

Our client accounts are divided among the portfolio management team members who are responsible for the ongoing management of their respective accounts. Distribution reports showing stocks, bonds and cash are used to assure allocations conform to those appropriate for each client. Additionally, management and the compliance committee conduct scheduled reviews and forensic testing that include but are not limited to: audits of deviation from set stock allocation, stock pricing, best execution, and bond valuation reviews.

Performance reporting of all accounts to the three firm principals occurs monthly.

Statements detailing transactions and asset holdings are supplied to clients at least quarterly by their custodian. In addition, PASI produces an annual investment performance report containing time-weighted investment performance, historic performance, and a detail of contributions and distributions for the year.

Item 14: Client Referrals and Compensation

PASI does not offer compensation for referrals.

Item 15: Custody

Custody Rule 206(4)-2 under the Investment Advisers Act of 1940 governs the custody of client funds and securities. The Custody Rule defines "custody" to mean holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. PASI does not maintain custody of client funds and securities. The Rule requires advisers to maintain custody of client funds and securities with a qualified custodian who shall provide an at least quarterly statement to the client. Our Clients' funds and securities are maintained by unrelated qualified custodians. All custodians are responsible for sending account statements at least quarterly. PASI diligently reconciles these statements with our internal account software to ensure accuracy. Clients should also carefully review their statements.

Advisers that have custody only because they have written permission to have fees deducted do not have to claim custody of client assets on form ADV. Some of PASI clients have signed fee deduction authorizations instructing the custodian to deduct fees. Clients who choose to have

expenses deducted will be sent a notice by the adviser each quarter informing them of the amount deducted. This deduction will also be reflected on the custodian's statement.

Item 16: Investment Discretion

The Investment Advisory Agreement is signed by all clients and designates PASI as the agent and attorney-in-fact with full power and authority in connection with the account to buy, sell, exchange, convert and otherwise trade stocks, bonds, and other securities that PASI selects. This discretionary authority remains in full force and effect until either party provides written notice of termination or until the adviser receives actual notice of client's death or adjudicated incompetence.

From time to time clients have asked portfolio managers to invest in a particular common stock for their accounts. Highly speculative issues are discouraged. Clients may request to restrict investing in a certain security, industry group, or asset class.

Item 17: Voting Client Securities

PASI acknowledges its responsibility to vote proxies with respect to client holdings. Voting is determined solely in the clients' best interests with the primary goal of long-term enhancement of shareholder value. Clients may elect to vote proxies for their account holdings. ERISA trustees may direct other voting arrangements according to written plan guidelines.

Members of the Research Committee are assigned the task of reviewing the proxy letters, annual reports and other relevant publications. Our vote on each proxy issue is determined based on general guidelines for proxy voting as set forth in our policy based upon PASI investment criteria and corporate and board performance. Specific circumstances and issues unique to a company will be taken under consideration for adherence to the proxy voting guidelines.

Employees of PASI may invest in the same securities as those we buy for our clients. In doing so, we benefit from the same actions as our clients regarding the voting of proxies.

Timely voting of proxies, verification of holdings by custodian, and required record keeping is monitored by the Compliance Officer. Forensic testing of random proxy votes is conducted on a quarterly basis.

The Proxy Voting Policy is offered to clients annually. Voting records are kept for five years and available upon request.

Item 18: Financial Information

PASI has never been the subject of a bankruptcy petition and PASI is not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitment to clients.