

Pennyfarthing Investment Management, L.L.C.

Disclosure Brochure (Form ADV, Parts IIA and IIB)

Prepared on March 19, 2017 ... and updated as needed.

This brochure provides information about our qualifications and business practices. It's important, and state regulations require us to give it to you. They'd like the writing to be understandable, as in plain English, so we hope we've succeeded. You'll find out whether we have as you read along.

If you have any questions, please call us at 413.259.1900. You can also look us up and read additional information on the United States Securities and Exchange Commission's website, www.adviserinfo.sec.gov

The SEC, or any state securities authority for that matter, does not approve or endorse this brochure or any information offered by us to you.

By the way, we discuss our qualifications inside, but the regulators want you to know that registering as an "investment adviser" does not imply any special skill or training, a fact that is kind of scary in the world we live in today.

Please read on and feel free to ask us any questions that come to mind. We'd like for you to understand how we do business.

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Advisory Business

Eric W. Bright, CFA is the sole proprietor of Pennyfarthing Investment Management, L.L.C., established 2003.

We (really, right now, the “we” is an “I”) offer investment counseling and portfolio management to individuals, trusts and charitable endowments on a fully discretionary basis. We individually manage each account according to every client's unique investment goals and objectives. We invest our clients in stocks, bonds, a few mutual funds and are currently discussing how option contracts could make sense for certain clients. As of March 17, 2017, we actively manage discretionary assets totaling \$16 million and offer advice on another \$0.1 million that our clients in essence manage themselves with some benefit from our advice, for a total of 40 accounts.

Many, if not most, of our clients would like their investments to reflect their values. We’ll work together to decide what might be appropriate for your account. We buy what we believe in. You may also ask that certain types of securities be excluded, whether for social, environment or other concerns, and we’ll do our best to make that happen.

We also offer consulting services for portfolios managed by other financial institutions. This includes manager selection, portfolio monitoring, integration of ethical and investment standards, policy compliance and performance analysis.

Investment Discretion

The “limited” power of attorney that you give us allows us to trade securities and otherwise invest the portfolio. We buy and sell stocks, bonds and mutual funds for your account. For most clients, we earn our investment management fee this way. A couple of our clients ask that we communicate with them to review before submitting trades.

For other clients, we provide advice only. This means that we do not have access to trade in accounts. Instead, we earn our pay through conversations together.

Educational Background and Business Experience

Eric W. Bright (DOB 1970); Indiana University (B.S. in finance, 1993); Securities Compliance Examiner, U.S. Securities and Exchange Commission (1994-97); Chartered Financial Analyst designation (1997); Virginia Polytechnic Institute and State University (M.A. in history, 1997-99);

Portfolio Manager, Fraser Management Associates (1999-2001); President, Pennyfarthing Investment Management, L.L.C. Maine (2002-2003); Portfolio Manager, Cohn Financial Services (2003-2005); President and Portfolio Manager, Pennyfarthing Investment Management, L.L.C. Massachusetts (2003-Present); Fundamentals of Sustainability Accounting Level I credential (2017).

Fees and Compensation

Our firm endeavors to charge a fair rate for its services. After all, a client cannot prosper if an adviser places its own profits first and the client's interests second. Fees are based on an annual percentage rate of assets under management as follows:

1.0% on the first \$½ million

0.8% on the next \$1½ million

0.6% on assets above \$2 million

Minimum fee \$4,000 per annum

The fee is billed at the end of each quarter, in arrears in the form of a letter mailed to you, by multiplying one-fourth of the annual rate by the current value of the managed assets. For example, an account valued at \$1,000,000 would pay \$2,250 in quarterly fees (or 0.225%) as follows:

$\$500,000 \times 1.0\% = \$5,000$

$\$500,000 \times 0.8\% = \$4,000$

Annual fee = $\$9,000 / 4 = \$2,250$ Quarterly fee

Related accounts are grouped to benefit from a lower average fee. The rate would be calculated on the value of the entire group's assets.

We negotiate fees (that's how a couple of our smaller clients were able to hire us despite having assets under our minimum threshold). Remember, fees detract from your investment performance, and that's why we like to keep them reasonable.

We typically deduct our investment management fee directly from clients' accounts, granting us this limited authority by way of the account agreement. In some cases, we and our client may determine together that a hand-written check or bank wire can instead become the method for paying our bill.

As far as our consulting services, we bill at a rate of \$150 per hour, subject to a \$450 minimum payable in arrears, or an annual retainer starting at \$4,500, plus expenses. This would be in situations in which we don't manage your portfolio but give our advice only,

Some clients may be charged a reduced rate depending upon their unique circumstances. We would reduce the fees 20% for charitable (eleemosynary) accounts.

Mutual funds, if the portfolio holds any, charge a fee for management that is not included in the rate paid to us. For this reason, in addition to the fact that we believe most mutual funds do a poor job for individual clients, we recommend only a select few mutual funds. All of the funds we recommend are “no-load”, meaning that they typically charge less in fees than comparable funds.

You will also pay trading commissions or a fee as a percentage of assets that is brokerage compensation for purchases and sales. As a fee-only investment adviser, we don't receive any part of these commissions or receive any other sales-related product compensation. They go to the custodian or broker for your accounts(s). We are fully independent and fee-only (as opposed to “fee-based”): owing our duty and compensation to only you, our clients.

Types of Clients

The minimum account size for investment management on a continuous basis is \$400,000, with exceptions made for special situations. Our clients are individuals, as well as their trusts and retirement accounts, and charitable endowments.

Methods of Analysis, Investment Strategies and Risk of Loss

You should know that investing involves the risk of loss. Our investment approach attempts to minimize this risk, although some risk is necessary to achieve higher returns. In fact, the higher the return objective, you should expect that there will be more risk to bear. We will work together to establish the appropriate goals and objectives for your portfolio.

A progressive approach sets us apart. After all, one would question the investment manager who did not evaluate the sustainable aspects of their investments — risks that might otherwise be overlooked come into focus if examined from a long-term standpoint.

Rewards come when we do our homework. We pursue a vigorous process of analysis to identify favorable opportunities. In the case of stocks, we recommend or purchase an equity investment only if we foresee a future better than the consensus expects. Too many managers buy stocks at overvalued levels, on what really amounts to the *hope* that some other suckers will later come by to take them off their hands at higher prices.

- Discipline to identify real economic value. The merit of an investment does not derive from speculative predictions but in its ability to add real economic value. This means paying attention to risk and return.
- Low portfolio turnover. We don't believe in trading more than is required to generate attractive returns in a long-term portfolio.
- Diversification. A portfolio may be diversified across a wide range of investments yet still focused upon investments with the most favorable prospects, and faithful to your core values.

We manage accounts with a framework that involves three major analytical approaches: Fundamental, Behavioral and Technical.

- Fundamental analysis considers economic, industry and company-specific dynamics from the perspective of broad growth trends, industry drivers, management integrity, capital investment, market strategy and accounting results.
- Behavioral methods measure how investors feel about market risk and identify market sectors of over- and under-valuation.
- Technical insights observe how stock prices have moved in the past, so as to reveal something about how they might react in future.

Information sources for investment recommendations include corporate annual reports, SEC filings including proxy statements and forms 10-Q, 10-K and 8-K, press releases, company-sponsored conference calls, research reports, rating services, market data services, the financial media and investment newsletters.

We reserve the option to make sales of investments in your portfolio only a short time after purchase in order to capitalize upon rapidly changing market conditions. When investments realize gains, if made within taxable accounts, such sales may trigger short-term taxable gains, which are taxed at a higher rate.

Disciplinary Information

As is routine for registered investment advisers, we've been subject to a state oversight examination in the past, which from our perspective was concluded positively. We would be required to disclose all facts regarding any legal or disciplinary event that would be material to your evaluation of us. There is nothing to tell.

Other Financial Industry Activities and Affiliations

We regularly interact with other investment advisers, brokers, attorneys, insurance agents, accountants and other service providers. These discussions may be about your situation, when you give us permission to talk with others about such things. Rest assured that we will give you our best opinions about financial matters, regardless of business referrals that these professionals may make to us. Merit speaks for itself. We don't like conflicts of interest, so we don't pay these people anything and they don't pay us.

Code of Ethics, Participation in Client Transactions and Personal Trading

We adhere to all applicable legal standards and the CFA Institute's Code of Ethics and Professional Conduct. Issues and policies that are relevant to compliance include:

- Privacy
- Insider Trading
- Personal Trading
- Recordkeeping
- Disclosure
- Performance Presentations
- Priority of Transactions
- Proxy Voting
- Research Due Diligence
- Investment Policy Statement
- Security
- Business Continuity and Succession Planning

In cases in which I wish to purchase or sell securities personally which are also being purchased or sold for client accounts, I may purchase or sell only after making the trades or offering the opportunity to trade, with regard to all clients for whom the trades would be appropriate, in order to avoid a conflict of interest.

Custody

We make certain that your account is held in safekeeping with a nationally recognized custodian and can recommend a SIPC-insured brokerage firm to you. Unless you specifically authorize distributions, your assets will always remain under your custodian's safekeeping. Accounts are held at brokers whose names you would recognize, such as Fidelity and Vanguard. We have signed limited power of attorney agreements to allow us to trade and manage the accounts. Granting a limited power of attorney to us does not make us the custodian of your account. All trades are conducted through the custodian of the accounts. In other words, the custodian is the same as the broker.

We are authorized to submit trade orders and, if possible under our agreement with the custodian, can also assist in requesting withdrawals made payable to you, accounts registered in your name or those individuals that you authorize. You should be very careful of any adviser who could access your accounts and take your money out, without your approval. Again, we don't have the power to withdrawal money from accounts and put it in our pockets, with the exception of specifically authorized direct billing arrangements where you allow our management fee to be paid directly from your accounts.

If your custodian is Fidelity, you might want to know that Fidelity provides us with institutional-level access to various services, such as trading, reporting, software platform discounts, conferences and business practice consultation. Some of these services help us manage or administer your accounts; while others help us manage and grow our business. These support services generally are available on an unsolicited basis (we don't have to request them).

In 2015, we hired Northwest Asset Management dba RIA Innovations, to whom we pay a fee to help us process paperwork and serve clients' accounts which are held at Fidelity. In this arrangement, we have a dedicated service team, in Northwest Asset Management, a firm located on Mercer Island, Washington in the business of doing administrative work for investment advisers. Their sole role is as our paperwork processors, making sure requests are handled with Fidelity appropriately and reaching out to us, when needed.

Brokerage Practices

We recommend brokerage firms depending upon several factors, only one of which is the level of commissions paid. Higher commissions may be warranted if judged advantageous in relation to the value received in terms of improved trade execution, a superior level of customer service and/or research. A custodian generally does not charge separately for their custody services but is compensated by charging commissions on trades, or a fee as a percentage of assets, and benefitting from the fees that it collects from mutual funds. Trades are directed through the custodian of your account. We do not believe that this results in materially higher expenses or worse execution of trades. For instance, Fidelity is fairly well ranked, but we are required to tell you that such a brokerage arrangement may cost you money. Not all advisers require clients to trade only through their brokerage custodians, but we think that the way we do it is the best service arrangement, rather than involve another broker. It's one-stop shopping with service.

All research services obtained from brokerage firms are shared for the potential benefit of every client. As a matter of note, to help you know what you're paying for, we don't accept so-called soft dollar payments in which investment advisers have their third-party expenses paid by brokers in return for clients' commissions.

We may engage in block trading, which is the purchase or sale of a security for the accounts of multiple clients in a single transaction. If a block trade is executed, each participating client account receives the average of the prices obtained for the group. If the order is not completely filled, it is our policy that the securities are distributed among participating client accounts on a random basis. Block trades are used when we believe that the combination of transactions will provide for better prices or faster execution for our investment actions.

Review of Accounts

We review all investment management accounts on a continuous basis. Based on client goals and objectives, we consider asset allocation, risk, cash flow needs, tax issues, diversification and security selection. Changes in your financial situation or investment goals prompt an immediate review in order to assess whether strategic changes within the portfolio would be appropriate. Further reviews are initiated at your request.

You will receive a written review on a quarterly or semiannual basis. These letters include performance results, updates on holdings and a review of the investment markets. You will also receive monthly statements from your custodian. We communicate with clients from time to time by telephone, e-mail or meeting in person.

Client Referrals and Other Compensation

We do not pay any person for client referrals. That stated, word-of-mouth recommendations from clients, accountants and attorneys are an important source of new business.

Voting Proxy Ballots

It is important for us all to exercise our rights as stockholders. Of course, you may ask us to cast your votes a certain way, but otherwise we use our own best judgment to vote proxy ballots, which include boards of director elections and such. In some cases, we take into consideration the recommendations of proxy voting services or activists.

We support corporate transparency, tying management compensation to long-term performance, social/environmental disclosure and responsible corporate citizenship.

You may choose to vote your shares, or you could have us take care of this for you. Call us with any questions about this.

Financial Information and Requirements for State-Registered Advisers

We are bonded under a surety bond issued by NGM Insurance Company and are registered as an investment adviser with the Commonwealth of Massachusetts. The disciplinary history of any Massachusetts-based investment adviser and its representatives can be obtained from the Securities Division, Office of the Secretary of the Commonwealth of Massachusetts.

In what we do and how we've set up our business, we want to serve you as we'd like to be served ourselves.

Changes and Updates Since Last Time

On March 20, 2017, we submitted our annual update to meet our responsibilities with our regulators. In this disclosure statement, we updated our assets and accounts under management. Our goal is to help you make informed choices when it comes to the management of your investments.