Item 1 Cover Page

Schultz Financial Group Incorporated

SEC File Number: 801 – 18297

ADV Part 2A, Brochure

Dated: June 28, 2020

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This Brochure provides information about the qualifications and business practices of Schultz Financial Group Incorporated (the "Registrant"). If you have any questions about the contents of this Brochure, please contact us at (775) 850-5620 or jspecter@sfginc.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 Schultz Financial Group Incorporated is also available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Schultz Financial Group Incorporated as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes to this ADV Part 2A, Brochure since the March 27, 2019 annual update filing. However since the March 29, 2020, this ADV Part 2A Brochure has been materially amended at Item 5 to clarify the way in which Schultz Financial Group Incorporated calculates its fixed annual fee for its Combined Wealth and Investment Management Services, and at Item 7 to reflect that Schultz Financial Group Incorporated generally imposes a minimum $10,000 annual fee for new clients to receive Combined Wealth and Investment Management Services.

The Registrant's Chief Compliance Officer, Jennifer Specter, remains available to address any questions about this ADV Part 2A, Brochure.

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Item 4 Advisory Business

A. The Registrant is a California corporation formed on November 12, 1982, which became registered as an investment adviser in January 1983. The Registrant is owned by the Schultz Family 2005 Trust, for which Russell Schultz and Vicki Schultz are the Trustees. Mr. Schultz is the Registrant's President.

B. Registrant offers to provide wealth management and non-discretionary investment management services to its clients (currently: individuals, high net worth individuals, trusts, estates, business entities, pension and profit sharing plans, and charitable organizations) as described below. Registrant customizes its services for clients based on its "Four Capitals" which include: Financial Matters, Physical Well-Being, Intellectual Engagement, and Psychological Space.

FINANCIAL ADVISORY SERVICES

Combined Wealth and Non-Discretionary Investment Management. Registrant's primary service offering employs its "Four Capitals" approach to provide wealth management and non-discretionary investment management services tailored to each client's unique situation. The Registrant charges a fixed annual retainer for these services, subject to a minimum annual fee for new clients. While the specific scope of services will depend on the client's situation and requests, Registrant's wealth management services typically focus on risk management, cash flow management, tax planning, trust and estate planning, charitable giving strategies, and business consulting services. For families who have a combined net worth exceeding $20 million, Registrant may also provide real estate advisory, philanthropic planning, multi-advisor coordination, and legacy planning and wealth transfer services.

Before Registrant provides combined wealth and non-discretionary investment management services, clients are required to enter into a Financial Advisory Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. An adviser will then coordinate with each client to establish the client's wealth management and investment objectives. The Registrant will then prepare a written financial plan and recommend that the client allocate investment assets consistent with the designated financial plan and investment objectives. The Registrant will then implement or assist the client in implementing the financial plan objectives. Once the plan is agreed upon and implemented, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives and may recommend rebalancing and/or account transactions as a result of those reviews or other triggering events.

Non-Discretionary Investment Management (Stand-Alone). To the extent requested by a client, the Registrant may provide non-discretionary investment management services for a stand-alone fee. The Registrant's annual fee shall be fixed and based upon a percentage (%) of the market value of the assets placed under the Registrant's management. Before Registrant provides stand-alone non-discretionary investment management services on a fee-only basis, clients are required to enter into a Financial Advisory Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client. An investment adviser representative will then ascertain each client's investment objectives and recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives and may recommend rebalancing and/or account transactions as a result of those reviews or other triggering events.

Wealth Management Services (Stand-Alone). To the extent requested by a client, the Registrant may provide wealth management services addressing investment and non-investment related matters, such as estate planning, insurance planning, tax planning, etc.) for a stand-alone separate fee. Registrant's stand-alone wealth management fees depend upon the level and scope of the services required and the professional(s) rendering the services. Before engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a Financial Advisory Agreement with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client before Registrant will begin to provide those services.

MISCELLANEOUS

Limitations of Wealth Management and Non-Investment Consulting/Implementation Services. Registrant may provide wealth management and related consulting services regarding investment or non-investment related matters, such as estate planning, tax planning, insurance, etc. either as part of the investment advisory engagement or according to the terms and conditions of a stand-alone agreement. The Registrant does not serve as a law firm, accounting firm, or insurance agency, and no portion of Registrant's services should be construed as legal, accounting, or insurance implementation services. Accordingly, Registrant does not prepare estate planning documents, tax returns or sell insurance products. Unless specifically agreed in writing, neither Registrant nor its representatives are responsible to implement any wealth management / financial plans or financial planning advice; provide ongoing wealth management / financial planning services; or provide ongoing monitoring of wealth management / financial plans or financial planning advice. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant and its representatives. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance agents, etc.). Clients are under no obligation to engage the services of any recommended professional, who shall be solely responsible for the quality and competency of the services they provide. If the client engages any unaffiliated recommended professional, and a dispute arises related to the engagement, the client should seek recourse exclusively from and against the engaged professional.

Fee Differentials. For its primary service offering, the Registrant charges an annual fixed fee based upon various objective and subjective factors as described in Item 5 below. Affected clients could therefore pay diverse fees, and the services to be provided by the Registrant could be available from other advisers for different fees. Registrant's Chief Compliance Officer, Jennifer Specter, remains available to address any questions about fee differentials.

Asset Aggregation / Reporting Services. Registrant may provide access to reporting services that can reflect all of the client's investment assets, including those investment assets that are not part of the assets managed by Registrant (the "Excluded Assets"). Registrant's service relative to the Excluded Assets is limited to reporting service access only, which does not include investment implementation. Because Registrant does not have trading authority for the Excluded Assets, the client (and/or another investment professional), and not Registrant, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. Further, the client and/or their other advisors that maintain trading authority, and not Registrant, shall be exclusively responsible for the investment performance or related activity (such as timing and trade errors) pertaining to the Excluded Assets. The third-party reporting platform may also provide access to financial planning information and applications, which should not be construed as services, advice, or recommendations provided by Registrant. Accordingly, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the third-party reporting platform without Registrant's participation or oversight.

Retirement Plan Rollovers – No Obligation / Conflict of Interest. A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. The Registrant's Chief Compliance Officer, Jennifer Specter, remains available to address any questions that about the conflict of interest presented.

Portfolio Trading Activity. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any trades are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Registrant determines that trades within a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 during periods of portfolio trading inactivity.

Cash Positions. The Registrant may maintain cash and cash equivalent positions (such as money market funds) for defensive and liquidity purposes. Unless otherwise agreed in writing, all cash and cash equivalent positions are considered as part of assets under management for purposes of calculating the Registrant's advisory fee.

Independent Managers. The Registrant may recommend that the client allocate a portion of their assets by and/or among certain independent alternative/hedge fund/fixed income investment manager(s) (the "Independent Managers"), consistent with the stated investment objectives of the client according to the terms and conditions of a separate agreement executed between the client and the Independent Managers and/or platform sponsor. In certain circumstances, the terms and conditions of an applicable agreement imposes a flat quarterly fee for transaction and custody charges. The Registrant shall continue to render advisory services to the client relative to the ongoing monitoring and reviewing of account performance, as part of the Registrant's fixed annual retainer fee. Factors which the Registrant shall consider in allocating client assets among Independent Managers include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Managers, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, Registrant's fixed annual retainer fee.

<u>Non-Discretionary Service Limitations</u>. Clients that determine to engage Registrant on a non-discretionary investment advisory basis must be willing to accept that Registrant cannot execute any account transactions without obtaining the client's prior consent to the transactions. Therefore, if Registrant would like to make a transaction for a client's account (including removing a security that the Registrant no longer believes is suitable, adding a security that the Registrant believes is suitable, or in the event of a market correction), and the client is unavailable, Registrant will be unable to execute the account transactions (as it would for its discretionary clients) without first obtaining the client's consent.

<u>Client Obligations</u>. In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations and/or services.

<u>Disclosure Statement</u>. A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client before, or contemporaneously with, the execution of the Financial Advisory Agreement.

<u>Unaffiliated Private Investment Funds</u>. The Registrant may recommend that its clients consider the purchase of unaffiliated private investment funds. The Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. The terms and conditions for participation in the unaffiliated private investment funds, including management and incentive fees, conflicts of interest, and risk factors, are set forth in each fund's offering documents. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included for purposes of Registrant calculating its fixed annual retainer fee, which would be based on the most recent valuation provided by the fund sponsor. <u>Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).</u>

C. The Registrant shall provide investment advisory services specifically tailored to needs of each client. Before providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objectives. The Registrant shall allocate each client's investment assets consistent with their designated investment objectives. Clients may, at any time, impose restrictions, in writing, on the Registrant's services.

D. The Registrant does not participate in a wrap fee program.

E. As of December 31, 2019, the Registrant had $179,188,919 in assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

A. Registrant's fees for its financial advisory services are as set forth below.

FINANCIAL ADVISORY SERVICES

Combined Wealth and Non-Discretionary Investment Management. Registrant's primary service offering employs its "Four Capitals" approach to provide wealth management and non-discretionary investment management services tailored to each client's unique situation. The Registrant charges a fixed annual retainer that generally ranges between $10,000 and $100,000, payable quarterly or monthly in advance depending on the terms of the applicable Financial Advisory Agreement. The negotiable fee is based on objective and subjective factors including but not necessarily limited to the client's net worth, legacy relationships, managed account composition, future earning capacity, negotiations with the client, the complexity of client assets and liabilities, related accounts, the current and anticipated amount of assets to be managed, the level and scope of the services required, and which professionals will provide the services. Registrant's annual fee is generally subject to increases of up to five percent (5%) per year if warranted. Certain legacy clients may have accepted different pre-existing service offerings from Registrant and may therefore receive services under a different arrangement. As a result of these factors, similarly situated clients could pay different fees which correspondingly impacts a client's net account performance. Moreover, the services to be provided by the Registrant to any particular client could be available from other advisers for different fees.

Non-Discretionary Investment Management (Stand-Alone). To the extent requested by a client, the Registrant may determine to provide non-discretionary investment management services for a stand-alone fee. The Registrant's annual advisory fee shall be fixed and based upon a percentage (%) of the market value of the assets placed under the Registrant's management (generally 1% of the first million, .75% of the next million and .5% on assets over $2 million). The Registrant, in its sole discretion, may charge a lesser annual advisory fee based upon certain criteria (i.e. legacy relationship, type of assets to be managed, related accounts, anticipated future additional assets and earning capacity, account composition, negotiations with client, etc.). See also Fee Differential discussion above.

Wealth Management Services (Stand-Alone). To the extent specifically requested by a client, the Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) for a stand-alone fee. Registrant's planning and consulting fees generally range between $100 and $400 per hour, depending upon the level and scope of the services required and the professional(s) providing the services.

B. Clients may elect to have the Registrant’s advisory fees deducted from their custodial account. Both Registrant’s Financial Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant’s financial advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant’s invoice. The Registrant shall deduct fees and/or bill clients either monthly or quarterly in advance, based upon the annual fixed fee.

C. As discussed below, unless the client directs otherwise or an individual client’s circumstances require, the Registrant generally recommends that Charles Schwab and Co., Inc., an SEC-registered and FINRA member broker-dealer/custodian (“Schwab”) and its affiliates serve as the broker-dealer/custodian for client investment management assets. Broker-dealers charge transaction fees for effecting certain securities transactions according to their fee schedule, and they or their affiliated custodians also impose charges for custodial services / fees associated with maintaining the client’s account. For mutual fund purchases, clients will incur charges imposed by the respective fund, which represent the client’s pro rata share of the fund’s management fee and other fund expenses. These fees and expenses are described in each fund’s prospectus or other offering documents. The fees charged by the applicable broker-dealer/custodian, and the charges imposed by mutual funds are separate from and in addition to Registrant’s advisory fee referenced in this Item 5. Registrant does not share in any portion of those fees or expenses.

D. Registrant’s annual advisory fees shall be prorated and paid monthly or quarterly, in advance. The Financial Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Financial Advisory Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing period.

E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

Item 6 Performance-Based Fees and Side-by-Side Management

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant’s clients currently include individuals, high net worth individuals, trusts, estates, business entities, pension and profit sharing plans, and charitable organizations. For new clients, the Registrant generally requires a minimum $10,000 annual fee for its Combined Wealth and Investment Management Services. However, Registrant may reduce or waive that minimum fee in its sole discretion based upon certain criteria (i.e. net worth, legacy relationships, managed account composition, future earning capacity, negotiations with the client, the complexity of client assets and liabilities, related accounts, the current and anticipated amount of assets to be managed, the level and scope of the services required, and which professionals will provide the services).

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

Our investment process is to analyze different scenarios to see how various economic indicators and variables can affect the macroeconomic environment. Then we look at how these scenarios affect different investment strategies. Based on the client's financial planning goals and objectives, we develop a diversified investment portfolio. Each client's portfolio could vary depending on their investment parameters and may or may not include certain investment strategies. These investments can be executed either through mutual funds and/or private investment funds. We do not select individual equities or bonds on a regular basis, but may do so on occasion based on client objectives. Our philosophy is to invest in people who can execute a specific investment strategy.

We look for investment managers who have the ability to execute a strategy that is in line with the client's objectives. This could be in equities, fixed income, hedged strategies, energy, real estate, commodities or private equity. We perform due diligence on these managers and analyze their investment strategy. These managers could use fundamental, technical and/or cyclical analysis. They may invest, indirectly or directly, in a wide range of U.S. and non-U.S. equity and debt securities, commodities and other financial and investment vehicles, including, without limitation, U.S. and non-U.S. government and U.S. federal agency or instrumentality issued or guaranteed securities, floating rate instruments, equity interests (including common and preferred stock, warrants, options, convertible stock and restricted securities), other asset-backed securities collateralized by high yield bank loans, corporate debt instruments (including convertible debt instruments), as well as repurchase and reverse repurchase agreements, securities lending agreements, futures contracts, spot and forward contracts, options, swaps, and hybrid, synthetic and derivative instruments.

In selecting strategies, Registrant focuses on numerous factors, including, without limitation, recent performance, anticipated market conditions, diversification of strategies, and the economic coherence of the various strategies under consideration. Certain investments like energy, real estate, private equity, and private debt are illiquid and require long term commitments.

In allocating assets, Registrant first determines which general investment strategy types it believes should be included in the client's portfolio based on their investment profile. Strategy types may from time to time be excluded from the portfolio and new ones added based on our recommendations to the client. This is done on a non-discretionary basis. This means the client needs to approve any investment in his portfolio before the investment is made. Registrant does this so the client has an understanding of his/her investment portfolio and can inform us of any changes in his situation which might warrant changes in their investment portfolio.

Investing in securities involves risk of loss that clients should be prepared to bear, including the loss of principal investment. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant will be profitable or equal any specific performance level(s). Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

Our investment approach constantly keeps the risk of loss in mind. Without limitation, investors following our investment strategies generally face the following investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Reinvestment Risk: This is a risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- Unaffiliated Private Fund Risk: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

- Mutual Fund Risk. Mutual funds are operated by investment companies that raise money from shareholders and invest it in stocks, bonds, and/or other types of securities. Each fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. Mutual funds charge a separate management fee for their services, so the returns on mutual funds are reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

Item 9 Disciplinary Information

On May 24, 2002, the Registrant filed a "Form D, Notice of Exempt Offering of Securities" with respect to an Alternative Fixed Income Fund and an Alternative Multi-Strategy Fund (the "Alternative Funds"). However, Registrant relied upon the erroneous advice of its counsel at the time, who advised that Registrant was not required to pay annual renewal fees after the initial filing. Therefore, based upon such erroneous advice, Registrant failed to pay annual renewal fees relative to the Alternative Funds and did not apply for an individual to serve as a Licensed Sales Representative with respect to the Alternative Funds between 2003 and November 2011. As a result, the State of Nevada Office of the Secretary of State, Securities Division (the "Division") concluded that the Registrant violated various provisions of the Nevada Administrative Code and the Nevada Revised Statutes. The Registrant entered into an Administrative Consent Order with the Division on November 13, 2012, which provided that the Registrant will: 1. cease from future violations of the Nevada Uniform Securities Act; 2. pay a civil penalty in the amount of $4,500; and 3. pay a $1,000 fee to the Division for its inspection of the Registrant's records. Commencing in November 2011, Registrant has addressed all deficiencies addressed in the Administrative Consent Order.

Item 10 Other Financial Industry Activities and Affiliations

A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

C. The Registrant does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person required to be disclosed in this Item 10.C.

D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

B. Neither Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which Registrant or any related person of Registrant has a material financial interest.

C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation presents a conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

Item 12 Brokerage Practices

A. If the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Schwab. Before engaging Registrant to provide investment management services, the client will be required to enter into a formal Financial Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending Schwab (or any other broker-dealer/custodian) to clients include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. Neither Registrant nor any of its representatives receive commissions or transaction fees. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's annual retainer fee.

1. <u>Non-Soft Dollar Research and Additional Benefits</u>
Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives from Schwab (or could receive from other broker-dealer/custodians, unaffiliated investment managers, vendors, investment platforms, and/or product/fund sponsors) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. The support services that Registrant receives can include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or free consulting services, discounted and/or free travel and attendance at conferences, meetings, and other educational and/or social events (which can also include transportation and lodging), marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations. As indicated above, certain of the support services and/or products that Registrant can receive may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise. The receipt of these support services and products presents a <u>conflict of interest</u>, because the Registrant has the incentive to recommend

that clients utilize Schwab as a broker-dealer/custodian based upon its interest in continuing to receive the above-described support services and products, rather than based on a client's particular need. However, Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. The Registrant's Chief Compliance Officer, Jennifer Specter, remains available to address any questions that a client or prospective client may have regarding the above arrangement and conflict of interest presented.

Schwab Advisor Services™

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like Registrant. Schwab Advisor Services™ provides Registrant and its clients with access to its 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 and additional economic benefits ("Additional Benefits"). Some of those support services and Additional Benefits help Registrant manage or administer its clients' accounts while others help Registrant manage and grow its business. As part of the Additional Benefits, Schwab may also provide monetary assistance to Registrant or to third parties on Registrant's behalf to defray certain costs towards certain technology, compliance, legal, business consulting and other related expenses. Schwab's support services are generally available on an unsolicited basis (Registrant does not have to request them) and at no charge to Registrant. The availability of these services from Schwab benefits Registrant because Registrant does not have to produce or purchase them. Registrant is not required to pay for Schwab's services. A more detailed description of Schwab's Additional Benefits follows.

Services that Benefit the Client

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Registrant might not otherwise have access or that would require a significantly higher minimum initial investment by Registrant's clients. Schwab's services described in this paragraph generally benefit Registrant's clients and their accounts.

Services that May Not Directly Benefit the Client

Schwab also makes available to Registrant other products and services that benefit Registrant but may not directly benefit Registrant's clients or their accounts. These products and services assist Registrant in managing and administering its clients' accounts. They include investment research, both Schwab's own and that of third parties. Registrant may use this research to service all or some substantial number of its clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab 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 Registrant's fees from Registrant's clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only Registrant
Schwab also offers other services intended to help Registrant manage and further develop its business enterprise. These services include:
- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession;
- access to employee benefits providers, human capital consultants and insurance providers; and
- marketing consulting and support.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Registrant. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Registrant with other benefits such as occasional business entertainment of its personnel.

Additional Benefits Received
Registrant has and may continue to receive certain Additional Benefits that may or may not be offered to the Registrant again in the future. The Registrant is currently receiving a discount from Schwab toward the cost of performance reporting software for the benefit of the Registrant, which Registrant uses to help effectively manage its clients' accounts. The Registrant has no expectation that these Additional Benefits will be offered again; however, the Registrant reserves the right to negotiate for these Additional Benefits in the future. Schwab provides the Additional Benefits to Registrant in its sole discretion and at its own expense, and neither the Registrant nor its clients pay any fees to Schwab for the Additional Benefits. The Additional Benefits are generally provided on an unsolicited basis. The recommendation by Registrant or its representatives that a client select Schwab as designated broker-dealer/custodian for their accounts or transfer their account assets from another broker-dealer/custodian to Schwab presents a conflict of interest, because Registrant had and may continue to have the incentive to make such a recommendation based on its interest in receiving the Additional Benefits to benefit its business interests, rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of transactions. To mitigate this conflict of interest, Registrant will only recommend that a client select Schwab as broker-dealer/custodian if it reasonably believes that the arrangement in the best interests of its clients based upon the factors discussed throughout this Item 12. Registrant's Chief Compliance Officer, Jennifer Specter, remains available to address any questions about this conflict of interest.

2. The Registrant does not receive referrals from broker-dealers.

3. Directed Brokerage.
The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In those client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers. As a result, the client

may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

If the client directs Registrant to execute securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. <u>The Registrant's Chief Compliance Officer, Jennifer Specter, remains available to address any questions about this arrangement</u>.

B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently.

Item 13 Review of Accounts

A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

A. As referenced in Item 12.A. above, the Registrant receives economic benefits from Schwab including support services and/or products without cost (and/or at a discount). Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above or similar types of arrangements. <u>The Registrant's Chief Compliance Officer, Jennifer Specter, remains available to address any questions that a client or prospective client may have regarding the above arrangement</u>.

B. The Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

Item 15 Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a monthly or quarterly basis based upon the annual fixed fee. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance. To the extent that the Registrant provides clients with periodic account statements or reports, Registrant urges clients to carefully review those reports and compare them to custodial account statements. Registrant's reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The account custodian does not verify the accuracy of the Registrant's advisory fee calculations.

The Registrant provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from the Registrant to transfer client funds to "third parties." In accordance with the guidance provided in the SEC Staff's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

Item 16 Investment Discretion

The Registrant does not manage client assets on a discretionary basis.

Item 17 Voting Client Securities

A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

A. The Registrant does not solicit fees of more than $1,200, per client, for six months or more in advance.

B. The Registrant provides only non-discretionary (and not discretionary) investment advisory services.

C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Jennifer Specter, remains available to address any questions about the above disclosures and arrangements.