

**Part 2A of Form ADV: Firm Brochure**

Item 1 Cover Page

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<p>This brochure provides information about the qualifications and business practices of Lundquist Schiltz and Associates, Inc (LSA). If you have any questions about the contents of this brochure, please contact us at 515-284-1011 or <a href="mailto:sue@lsa-corp.com">sue@lsa-corp.com</a>. 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.</p> <p>Additional information about Lundquist Schiltz and Associates, Inc. also is available on the SEC's website at <a href="http://www.adviserinfo.sec.gov">www.adviserinfo.sec.gov</a>.</p>	

Item 2 Material Changes

No material changes.
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#### Item 4 Advisory Business

LSA was formed in November, 1996 after a year of planning and preparation. Our first client, who is still with our firm, began with us in December, 1996.

LSA's principal owner is David Lundquist – BA University of Minnesota, MBA Stanford University and fifteen years with LSA.

LSA is an investment management company formed to enhance the investment performance of individuals.

LSA offers proven long-term investment strategies. These strategies are tailored to the client's needs by a careful assessment of returns required to meet personal investment objectives and desired risk levels.

LSA provides investment advisory services and portfolio analysis and reporting services. Quarterly performance reviews are prepared for each client. Meetings in person or by phone regarding client financial interests and issues are conducted as needed. Investment products recommended are primarily no-load mutual funds and some exchange-traded funds. We manage client's bond portfolios to meet individual cash needs and asset allocation recommendations.

Investment advice and services are primarily based on the up-front preparation of a comprehensive financial plan as well as current market conditions.

As of December, 2010, LSA managed non-discretionary client assets totaling \$50,603,000.

## Item 5 Fees and Compensation

Our investment advisory services are “fee-only” which means that we take no compensation from the recommendation or sale of any investment product at any time. The advantage of this arrangement, where our only compensation is a fee from the client, is two fold. The least important of the advantages is that the total investment process is usually much less expensive. The most important advantage is the lack of bias in our recommendations, biases which can arise when compensation is tied to investment product sales. Poor or inappropriate products which could be owned because of sales bias are very expensive in the long run. .

Investment advisory fees are based on the value of the assets we manage, determined at the end of each quarter as follows:

	Investment Advisory Services	
	<u>Quarterly</u>	<u>Annually</u>
First \$1.0 million	0.15%	0.6%
Second \$1.0 million	0.125%	0.5%
Thereafter	0.0875%	0.35%

Fees are billed and payable during the quarter for which services are provided. Fees are not negotiable.

Clients may choose to remit fees by check or they may direct the fees be deducted from their Schwab account.

Clients may terminate advisory services at any time by written notice. Fees for planning and advisory services will be due for work incurred up to the time of the requested termination. If termination of advisory services occurs prior to the end of a quarter, fees will be pro-rated for the quarter.

Substantially all clients funds are custodied at Chas. Schwab & Co. Clients will incur standard Schwab trading fees when incurred. Since trading is not a LSA strategy, transaction costs are rarely material. No LSA employee receives any compensation from Schwab trading fees.

LSA does not receive any commissions or other compensation from any brokers. Our only compensation is from direct billings to our clients.

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

N/A – LSA does not charge or accept performance-based fees and does not perform side-by-side management.

Item 7      *Types of Clients*

LSA generally provides investment advice to individuals with a portfolio size of \$1.0 million +.

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

Portfolio construction at LSA involves the following strategies and principles:

- 1) Asset diversification-
  - a) cash and bonds: under normal circumstances 4 – 10 different asset classes are used for cash and bonds. Cash, investment grade corporate bonds, municipal bonds, high yield bonds, foreign bonds, etc.
  - b) stocks: domestic value (large, mid and small caps), foreign value, emerging markets, REITS.
  - c) alternative investments: gold, commodities, energy
- 2) Portfolio construction-
  - a) partial risk control is gained through the percentage split between cash and bonds versus stocks.
  - b) individual bonds rather than bond funds are used for better risk control (duration and issuer).
  - c) value funds are used almost exclusively for better long-term performance (historically) and lower down side volatility.
  - d) stock mutual funds are researched carefully as to management experience and continuity, volatility, expenses and results.
  - e) fees are minimized by using no-load funds that do not have 12b-1 fees.
- 3) Risk and return-
  - a) no strategy guarantees success. Likewise, a good strategy in a losing market climate can result in client losses.
  - b) risk levels are controlled in a number of ways, the primary one being the percentages allocated to stocks versus cash/bonds.
  - c) Other risk and return controls (not a complete list) are as follows:
    - 1) domestic versus foreign stocks
    - 2) large cap stocks versus small cap stocks
    - 3) allocation to “risky” assets: commodities, high yield bonds, gold.
  - d) The normal strategy is to be highly diversified and then to adjust the portfolio at the margin for anticipated changes in economic outlook, both domestic and foreign:
    - 1) dollar strength or weakness
    - 2) inflation outlook
    - 3) domestic cyclical outlook
    - 4) tax/governmental policies

Item 9 Disciplinary Information

N/A – LSA has had no legal or disciplinary events.

Item 10 Other Financial Industry Activities and Affiliations

N/A – LSA has no broker-dealers or no registered traders. LSA has only non-discretionary trading authority over our client's accounts. LSA is not affiliated directly or indirectly with any other entity except Schwab as custodian and for trading. LSA receives no compensation for any non-investment service performed directly or indirectly for our clients.

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

LSA places the highest priority on maintaining its reputation for integrity and professionalism. That reputation is a vital business asset. The confidence and trust placed in our firm by our clients is something that we value and endeavor to protect. LSA custodies client accounts at Charles Schwab and holds non-discretionary authority over those client accounts. All portfolio recommended changes by LSA are approved first by individual clients. Our clients are encouraged to review their monthly statements received directly from Charles Schwab. Quarterly, LSA provides clients with a detailed report of their portfolio and letter discussing current market conditions, past portfolio transactions and portfolio change recommendations.

It is the policy of LSA to permit the firm and employees to buy, sell and hold the same securities that we also recommend to clients. It is acknowledged and understood that we perform investment services for various clients with varying investment goals and risk profiles. As such, the investment advice may differ between clients and investments made personally by employees. If there were ever to be a conflict as to the timing of trade execution, client's transactions would always be executed first. We have never had any such conflicts in actual practice. Our limited trading and usage of no-load mutual funds also serve to create a no-conflict situation. All of our trading is through Chas. Schwab and Co.

Item 12 Brokerage Practices

LSA has non-discretionary authority over our client accounts which are held at Charles Schwab. Recommendations of other broker-dealer transactions therefore are not applicable. We pay hard dollars for all LSA services.

Item 13    Review of Accounts

Quarterly, LSA prepares a detailed financial report for each client highlighting their individual performance quarterly and year-to-date as well as comparing that individual client performance with various benchmarks (S&P 500, International, Fixed Income, Russell 2000, and NASDAQ). This report also shows the performance of the individual mutual funds held in the client's portfolio and the amount they have invested in each fund compared to benchmark (index) to provide comparisons of their returns. We present client investments by asset class for qualified and non-qualified, as well as total portfolio percentages compared to the recommended asset allocation percentages.

LSA also provides quarterly, a schedule of individual bonds held in the individual client portfolio. This schedule helps clients monitor their bond interest payments, maturity dates, quarterly returns from interest and price changes plus the current S&P rating of each of the individual bonds. Finally, the LSA quarterly report provides the client a current balance sheet.

We feel by preparing this report quarterly, we communicate with the client to allow the client a useful tool to monitor their portfolio. Secondly, this report is a very useful tool for LSA to use in the management of client portfolios in a structured and disciplined way.

In addition to the financial report we include a letter recapping client performance, market activity, our investment outlook, investment strategy, previous individual quarter portfolio activity and LSA recommended changes to individual client portfolios.

Client portfolios are reviewed on other than a periodic basis as market conditions command: economic change, bond downgrades, dollar weakness, etc.

Item 14    *Client Referrals and Other Compensation*

N/A – LSA has no client referral or compensated external investment advisor or advisory services relationships.

Item 15    *Custody*

Charles Schwab has custody of client accounts and provides monthly statements to individual clients.

Our clients are encouraged to review their monthly statements received directly from Charles Schwab. Quarterly, LSA provides clients with a detailed report of their portfolio and letter discussing current market conditions, past portfolio transactions and portfolio change recommendations. Our quarterly reports are easily reconciled to the Schwab monthly reports.

Item 16    Investment Discretion

LSA has non-discretionary authority over client accounts.

Item 17    Voting *Client* Securities

LSA does not accept responsibility for voting proxies or responding to issuer communications. Our clients retain all proxy voting and issuer communication responsibilities. Clients receive their proxies and other solicitations directly from Charles Schwab. Clients are encouraged to contact LSA with any questions they may have on material they receive.

Item 18    Financial Information

LSA does not require or solicit prepayment of any fees except that quarterly fees are billed in advance. We have no discretionary authority as regards clients nor have we been the subject of a bankruptcy petition.



Item 19 Requirements for State-Registered Advisers

Previously identified in item 4.