

## ADV PART 2A: *FIRM BROCHURE*

### Gregory J. Schwartz & Co., Inc.

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June 15, 2012

**This brochure provides information about the qualifications and business practices of Gregory J. Schwartz & Co., Inc. If you have any questions about the contents of this brochure, please contact us at (248) 644-2701. 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. This brochure provides clients with information about Gregory J. Schwartz & Co., Inc. that should be considered before becoming a client. Registration of Registered Investment Advisers does not imply a certain level of skill or training.**

**Supplemental Information (Part 2B) on individual Investment Advisors is available at (248) 644-2701.**

**Additional information about Gregory J. Schwartz & Co., Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2: Material Changes**

This section discusses only material changes since the last annual update on June 15, 2010.

Gregory J. Schwartz & Co., Inc. implemented a change of ownership in April 2010. Schwartz Holdings, L.L.C. became the 100% owner of Gregory J. Schwartz & Co., Inc. and the five stakeholders who originally held the shares of Gregory J. Schwartz & Co., Inc. are now 20% owners in Schwartz Holdings, L.L.C. The change was implemented for tax purposes.

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#### **Item 4: Advisory Business**

Gregory J. Schwartz & Co., Inc., founded in 1976 by Gregory J. Schwartz, Sr., is a registered Investment Adviser and licensed Broker/Dealer. Schwartz Holdings, L.L.C is the 100% owner of Gregory J. Schwartz & Co., Inc. Gregory J. Schwartz, Sr. serves as Chairman of the Board and his five sons, Gregory J. Schwartz, Jr., Walter G. Schwartz, Joseph E. Schwartz, Edward A. Schwartz, and Peter F. Schwartz serve as officers and principals.

The firm provides investment advice on equity securities, corporate debt securities, certificates of deposits, municipal securities, United States government securities, interests in real estate partnerships and investment company securities such as variable life insurance, variable annuities, and mutual fund shares. A majority of the investment advice provided by the firm is in the area of mutual funds. Within this realm, Gregory J. Schwartz & Co., Inc. specializes in 401(k) group retirement plans.

The services we provide our clients include:

- Risk/return evaluation to measure the relative investment performance of each investment vehicle at appropriate intervals in the plan.
- Asset allocation monitoring to assess appropriateness of current stock holding mix. This includes interim analysis of underperforming investment vehicles, analysis of gaps in available investment vehicles and advice regarding new investment vehicles.
- Annual cost analysis of retirement plans and individual portfolio expenses with comparisons.
- Assistance in negotiation and renegotiation of expenses with plan providers.
- 401k/529 plan education and consultation to companies and their plan participants.
- Semi-annual review of company investment policy guidelines.
- Participation in any requested meetings or preparation of other reports or analysis as reasonably requested by our clients.
- Daily accessibility to our investment advisors.

Our firm has developed a specific approach for presenting investment materials to clients. It begins with presenting a formal financial plan and tailoring it to meet a client's particular needs. Clients may impose restrictions on investing in certain securities or types of securities that are recommended in the plan.

The total amount of assets under management for Gregory J. Schwartz & Co., Inc. as of June 15, 2012 is \$1,876,851,171. The amount of assets managed on a discretionary basis is \$113,700,000 and \$1,763,151,171 on a non-discretionary basis. In addition, Gregory J. Schwartz & Co., Inc. is the Investment Advisor to a pooled investment fund under the name Stag Group, L.L.C. The total amount of assets under management for the pooled investment fund is \$2,510,416.

## Item 5: Fees and Compensation

Gregory J. Schwartz & Co., Inc offers investment advisory services for various types of fees including a percentage of assets under management, a fixed dollar amount or commissions and/or 12(b)-1 fees. Fees are collected on a monthly or quarterly basis for services rendered. The basic retirement plan fee schedule is as follows:

<b>Retirement plans:</b>	
<b>Total Plan Assets</b>	<b>Advisory Fee</b>
Up to \$15,000,000	.40% (40 basis points)
From \$15,000,001 to \$30,000,000	.35% (35 basis points)
From \$30,000,001 to \$50,000,000	.30% (30 basis points)
Over \$50,000,000	.25% (25 basis points)

**Individual financial plan fees range from .50 to 1.50 basis points** on assets under management. Fees are negotiable and compensation is payable after services are rendered.

Our firm primarily recommends mutual fund investments for retirement plans and client portfolios. Payment for these services is agreed upon by the client in the Investment Advisory Agreement and can be in the form of direct or indirect compensation.

Direct compensation is an agreed upon direct payment from the advisory client to the advisor. In instances where our firm serves exclusively as a Registered Investment Advisor we do not get paid 12(b)-1 fees or commissions. We provide a separate fee schedule whereby the client elects to pay us from either the plan assets or directly from the plan sponsor. These fees are received monthly or quarterly.

Indirect compensation is a payment to our firm paid by a mutual fund company. Such payments are considered 12(b)-1 payments or commissions. Clients are not charged by our firm for any cost beyond the expense ratios of applicable mutual funds. We provide the applicable mutual fund prospectus to the client, which fully discloses the cost structure and process described above. These fees are received on a monthly or quarterly basis from the mutual fund company.

The fees listed above have the propensity to place a client in the position of layered investment fees, i.e. being charged two sets of management fees for the same group of assets. Gregory J. Schwartz & Co., Inc. does not believe in this practice and separates those assets charged 12(b)-1 fees and commissions from the investment advisory fee calculation. Therefore, assets under management are only charged one type of fee. In addition, various transaction, brokerage, and custodial fees and taxes could be incurred by clients on the execution of trades for their accounts through the brokerage arm of Gregory J. Schwartz & Co., Inc. These costs are rarely passed along to advisory clients as they are considered part of the investment advisory fee. Please refer to Item 12: Brokerage Services for more information.

Clients do have the option to purchase investment products that our firm has recommended through other brokers or agents that are not affiliated with Gregory J. Schwartz & Co., Inc.

Gregory J. Schwartz & Co., Inc. also receives a fee equal to .5% per annum of the monthly NAV on the pooled investment fund under the Investment Advisor. The fund manager receives a management fee equal to 1.25% per annum of the monthly Net Asset Value (NAV).

## **Item 6: Performance-Based Fee and Side-by-Side Management**

Performance-based fees are based on a manager's ability to outperform a targeted return rate or performance goal and share in the capital gains and appreciation of a client's funds. Such fees are calculated as a percentage of the fund's profits and usually include both realized and unrealized profits.

Gregory J. Schwartz & Co., Inc. does not charge performance fees with respect to any advisory services offered. Should performance fees be used in the future the CCO is responsible for ensuring the fees are properly calculated, assessed, and that appropriate records are maintained regarding these fees. In addition, we will provide all required disclosures to the client.

Performance fees are not charged by the pooled investment fund.

## **Item 7: Types of Clients**

Gregory J. Schwartz & Co., Inc. provides investment advice to individuals, pension and profit sharing plans, 401(k) plans, trusts, estates, charitable organizations, pooled investment funds, corporations, and/or other types of business entities. Our firm does not stipulate any minimum requirements to become a client of Gregory J. Schwartz & Co., Inc.

The pooled investment fund, by its offering memorandum, requires participants to be accredited investors and provides for minimum investment of \$100,000 to gain entry into the fund. The manager of this fund reserves the right to increase or decrease this amount at any time.

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

Gregory J. Schwartz & Co., Inc. employs analytical tools and investment strategies to assist in formulating our investment advice to clients. We begin by utilizing two types of analysis: 1) fundamental analysis which measures the intrinsic value of an investment as determined by economic, financial and other quantitative and qualitative factors and 2) cyclical analysis which involves finding cycles and patterns in the market. The primary sources for these analytics include, but are not limited to:

- Financial newspapers and magazines (Barron's, Bloomberg, Zephyr, etc.)
- Morningstar
- Research materials prepared by others
- Annual reports
- Prospectuses
- Newsletters and commentary from investment managers at fund companies
- Filings with the Securities and Exchange Commission

We utilize the above analytics and apply our firm's investment strategies of diversity, long term and short term purchasing, and consider investor criteria of time horizon, need for short term liquidity, and risk tolerance to determine what investments are best suited to the individual investor.

These strategies come with risk:

**Long-term purchases:** Long-term purchases are made with the intent of holding on to the security for a minimum of 12 months. Such purchases may be made when securities are believed to be undervalued and anticipated to appreciate over time. The inherent risk involved with long-term purchases is the possibility of our projection being incorrect and experiencing a decrease in the value of the security before deciding to sell. Another risk is the possibility of missing out on short-term gains.

**Short-term purchases:** Short-term purchases are made with the intent of selling the security within the next 12 months. The idea is to take advantage of projected increases in a security's value that will ultimately result in a profit. An obvious risk of short-term purchases is the potential for loss should the projected increase in value not materialize. Another risk or disadvantage of short-term purchases is increased transaction related expenses due to increased trading.

**Diversification:** Diversification is a means to minimize investment risk by allocating assets into various areas of the market, such as large cap, mid cap, or small cap. If applied wrong, investors could find they are invested in differently titled mutual funds, for example, but those mutual funds could hold similar holdings, hence not providing them a true diversification in the market.

Our overall strategy includes focusing on good performing investment vehicles that are cost effective compared to the benchmark for that given asset class. We focus on an overall diversified approach, to minimize client risk by allocating assets and not overlapping the various areas of the market.

In managing and overseeing a portfolio of client assets, our advisors exercise great care to make sure that the client is aware of the specific risk of each distinctive investment practice that will be used. Investing in securities involves risk of loss which the client should be prepared to bear.

## **Item 9: Disciplinary Information**

As a Registered Investment Advisor we have no legal or disciplinary events to disclose. There are no convictions of theft, fraud, bribery, perjury, forgery, counterfeiting, extortion, or violations of law. As an advisor we will disclose any legal or disciplinary events that are material to a client's evaluation of our advisors or management personnel, as well as any inability to meet contractual commitments to clients.

## **Item 10: Other Financial Industry Activities and Affiliations**

### Financial Industry Activities

Gregory J. Schwartz & Co., Inc. is a dual registered Investment Advisor and Broker/Dealer. The Broker/Dealer registration allows us the ability to conduct securities trades on behalf of our advisory clients. As a Broker/Dealer we also have the ability to sell investment products for commission. This can create the potential for layering of client fees (refer to Item 5: Fees and Compensation). To prevent this from occurring, basic rules are followed by our firm:

- 1) Disclose to clients that commissions or transaction fees in addition to the management fees may be charged in executing transactions by the broker/dealer.
- 2) Clients have the option of choosing to execute transactions through another broker/dealer.
- 3) Fees, commissions, or transaction charges in the customer's account must be reasonable under general fairness and industry norms.

### Affiliations

Several principals/owners of Gregory J. Schwartz & Co., Inc. are also owners in:

Schwartz Holdings, L.L.C.: A holdings company to Gregory J. Schwartz & Co., Inc. to hold its fixed assets and handle secondary company costs.

Schwartz Financial Group, Inc.: Purchases ownership interests in several senior housing facilities that offer private placement investments to investors. These investments provide either cash flow or tax credits (or both) to investors.

Stag Group, L.L.C. (Managing company: AGW Investments): Pooled investment fund that invests in stocks, real estate, other private placements, or corporate and partnership interests.

Schwartz Benefit Services, L.L.C.: Insurance agency that provides health and life policies to clients.

### Investment Advisor Recommendations

Our firm does not recommend or select other investment advisors for our clients, thus we do not receive compensation from other advisors.

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

### Code of Ethics

Gregory J. Schwartz & Co., Inc. has adopted a code of ethics under rule 204A-1 of the Investment Advisor Act of 1940 pursuant to Section 406 of the Sarbanes-Oxley Act of 2002.

The “Code of Ethics” states:

1. The officers and owners of the company will 1) foster a corporate culture of ethical conduct and high integrity, 2) promote that full, accurate, and timely documentation be provided to investors, 3) not knowingly misrepresent facts about the company to auditors or regulators of the industry.
2. All personnel at Gregory J. Schwartz & Co., Inc. will 1) have the highest degree of honesty, integrity and professionalism, 2) adhere to the code of ethics, 3) always hold client interests as first priority, 4) not knowingly misrepresent facts, 5) provide fair and accurate disclosures, 6) comply with the rules of the industry, 7) strive to improve their competence, 8) safeguard personal client information, 9) not accept extravagant gifts or entertainment, 10) avoid conflicts of interest.

A copy of the code of ethics will be provided to any client or prospective client upon request.

### Client Transactions and Personal Trading

Registered Representatives of our firm do affect securities transactions for clients, for commissions. This occurs routinely in instances where we are not serving in an advisory role. Such transactions are conducted in adherence with the applicable prospectuses, which are given to investors.

As a firm, we have recommended investment products such as: publicly registered mutual funds where our firm also serves as a distributor of the fund (i.e. Schwartz Value Fund and Ave Maria Funds); and (2) private placement investment units, which invest in senior housing, where principals of Gregory J.



Schwartz & Co., Inc. have an ownership interest in the L.L.C's that offer the private placement investment units to investors under the broker/dealer. We do not recommend these investments to advisory clients. Should an advisory client wish to invest in these products such transactions will be conducted in adherence with the applicable offering memorandums. Owners or employees of the firm do not have a material financial interest in any of the investment products listed above.

Our investment professionals occasionally buy and sell the same securities that it recommends to clients, which most commonly are mutual fund shares. Such transactions take place in adherence with the applicable prospectuses and under the trading rules and guidelines as set forth by the regulatory agencies.

## **Item 12: Brokerage Practices**

Gregory J. Schwartz & Co., Inc., as a dual Investment Advisor and Broker/Dealer, has the ability to offer brokerage services to our Investment Advisory clients. We do not require our clients to utilize our brokerage services. We disclose our affiliation in advance of the client agreement and give clients the option to utilize another broker/dealer to execute transactions. As a normal course of business, most advisory clients choose to utilize the brokerage of the firm.

We have a fiduciary duty to execute securities transactions in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. Our firm, under the broker/dealer, has partnered with RBC Capital Markets, L.L.C, for trade execution. We acquire from RBC Capital Markets, L.L.C regular and rigorous reviews of their trading execution platforms to monitor that they execute transactions as favorably for our clients as possible. Favorable determination of a trade does not necessarily mean the lowest possible commission cost, but whether the transaction represents the best qualitative execution (i.e. the best price, fulfillment of the order, and speed in executing the trade).

If a client wishes for us to select or refer a broker/dealer that is not our own, we have a fiduciary duty to select a broker/dealer to execute a particular trade which will provide "best execution" for the client. By directing brokerage away from our firm, we may be unable to achieve the most favorable execution of client transactions and that this practice may cost clients more money.

Should a client insist we utilize a specific broker/dealer for their purpose, we work with the requested broker/dealer, and perform due diligence on the transactions executed. In client directed brokerage accounts the client may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable pricing.

### Brokerage for Client Referrals

Gregory J. Schwartz & Co., Inc. does not select nor recommend clients to other broker/dealers in order to receive referrals.

### Research and Other Soft Dollar Benefits

Gregory J. Schwartz & Co., Inc. does not participate in the practice of obtaining brokerage and research services through client commissions, called "Soft Dollar Arrangements." We follow good faith practices and charge commissions based solely on the costs and circumstances surrounding the effected trades. All direct brokerage and research costs of the company are paid by the broker/dealer.

Our firm will periodically attend a product provider educational conference or event, (which includes hospitality), or receive sponsorship for a marketing event. This can cause a conflict in the capacity to

influence advice to our clients due to incentives. To mitigate this possibility, our firm keeps these activities to a minimum and requires all events and sponsorships to be approved and monitored by principals of the firm.

### **Item 13: Review of Accounts**

Our firm reviews client accounts on a periodic basis. Client account reviews can be on a monthly, quarterly, semi-annual, or annual basis as determined to be most appropriate to the client's situation. Reviews of accounts are conducted by one of the five principals, with an annual review performed by the compliance department. Principal level reviews concentrate on determining if the investment advisor has applied, accurately, the correct analytics and strategies to the account to come up with the best investment recommendation for that particular client. Compliance reviews focus on verifying that all advisors are following regulation as required by the industry and company policy.

Occasionally a triggering factor will prompt a review. This includes customer requests, impromptu meetings, customer complaints, unusual client situations, or when a principal deems it necessary.

Clients receive a written financial plan from the investment advisor. These plans list all assets of the client, their current values, comparable asset values and any current recommendations. The reports are received by clients on the review cycle determined most appropriate for their situation. These plans are discussed with the client either in person or by telephone.

The purpose of the written financial plan is to ensure the client understands the position of their accounts, the strategies employed, the transactions executed and to see the investment performance of the plan. It also allows us to maintain communication with our clients and provides a platform for clients to ask questions and fully understand what is happening with their funds.

Clients also receive a brokerage statement, listing assets with their current values, held in custody by RBC Capital Markets, L.L.C. or other individual investment companies. We strongly encourage clients to carefully review and compare all statements that they receive regarding their accounts.

The pooled investment fund receives an in depth review by the Investment Advisor on a quarterly basis. Items focused on are appropriateness of the assets held, asset valuation and verifying that the fund is operating under the required rules for this type of investment. Please refer to Item 15: Custody, for further information.

### **Item 14: Client Referrals and Other Compensation**

We do not receive compensation for any client referrals. This section does not apply to our firm.

### **Item 15: Custody**

Gregory J. Schwartz & Co., Inc. does not have physical custody of client funds or securities. These funds are held by qualified custodians. Clients will receive account statements from our correspondent, RBC Capital Markets, L.L.C or directly from the investment companies at least quarterly, or monthly if there is activity on the account. We strongly encourage clients to carefully review and compare all statements that they receive.

An exception to the above is the pooled investment fund. It carries 5 illiquid investments we are considered to custody. As such we follow the provisions of the custody rule and have the pooled investment fund's financial statements audited by a PCAOB registered auditor. Unaudited financial statements are provided to the fund's investors on a monthly basis with the audited statements sent out annually.

#### **Item 16: Investment Discretion**

Gregory J. Schwartz & Co., Inc. currently accepts discretionary authority to manage securities accounts on behalf of clients. The amount of discretionary accounts our firm holds is minimal and is only put in place upon the request of the client.

If a client wishes to give us discretionary authority on their account we require that such authority be established in writing through the Investment Management Agreement and execution of a Power of Attorney. Clients can place limitations on this discretion and it must be done so in writing or included with the agreement. Limitations customarily requested are monetary limits per trade, discretion on certain investments in the portfolio, or limits on the actions an investment advisor can perform. Should the client wish to modify or remove discretionary authority the agreement may be updated at any time. Although we may have discretionary authority on an account, our office procedures require personnel to contact the client prior to the execution of any trade(s).

#### **Item 17: Voting Client Securities**

Our firm does not vote proxies on behalf of clients. Proxies should be received by clients directly from the qualified custodians who hold the related security. Should the firm choose to exercise voting authority in the future policies and procedures with respect to the Advisers Act Rule 206(4)-6 will be implemented. Clients can contact the firm should any questions arise relating to the proxies.

#### **Item 18: Financial Information**

The balance sheet of Gregory J. Schwartz & Co., Inc. has been prepared in accordance with the Generally Accepted Accounting Principles and audited by a PCAOB registered auditor on an annual basis. Our financial statements are prepared on the fiscal year ending 3/31. A copy of the audited balance sheet is available upon written or verbal request. A copy of the balance sheet is not required with this filing as our firm does not solicit prepaid fees.

As of this filing there are no financial conditions that exist that are reasonably likely to impair the advisor's ability to meet contractual obligations to clients. The firm has not been the subject of a bankruptcy petition at any time in the past 10 years.