

NADLER FINANCIAL GROUP, INC.

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ADV Part 2A, Brochure

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This Brochure provides information about the qualifications and business practices of Nadler Financial Group, Inc. If you have any questions about the contents of this Brochure, please contact us at 847-940-4040. 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 Nadler Financial Group, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Nadler Financial Group, Inc. 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 made to Nadler Financial Group, Inc.'s disclosure statement since [this](#) year's Annual Amendment filing on February 9, 2016, and subsequent amendment dated June 9, 2016. However, since its June 9, 2016 filing, Nadler Financial has made additions and enhancements at Items 4, 5, and 7 regarding fees, including its annual minimum fees. **ANY QUESTIONS: Nadler Financial's Chief Compliance Officer, Michael A. Nadler, remains available to address any questions regarding this Part 2A, including the disclosure additions and enhancements below.**

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Item 4 Advisory Business

- A. Nadler Financial Group, Inc. (the “Registrant”) is an Illinois corporation formed in May 1997 under the name “VRN Financial Services, Inc” and registered as an Investment Adviser Firm in 1998. The Registrant changed its name to Nadler Financial Group, Inc in February, 2004. The Registrant is principally owned by Michael A. Nadler, CPA, CFP®.
- B. As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, charitable organizations, business entities, pension and profit sharing plans, etc.) discretionary investment management services and, to the extent specifically requested by a client, financial planning and related consulting services.

INVESTMENT MANAGEMENT AND ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary investment management services. The Registrant’s annual advisory fee is generally based upon a percentage (%) of the market value of the assets placed under the Registrant’s management or advisement. Prior to engaging the Registrant to provide investment advisory services, clients are required to enter into an *Investment 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.

The Registrant provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The Registrant mainly recommends investment in diversified investment vehicles such as mutual funds, and exchange traded funds. Once allocated, the Registrant provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

Focused Investment Objective Program

In order to better serve its clients, the Registrant may provide discretionary investment management services through its Focused Investment Objective Program (the “Program”) to clients who maintain less than \$750,000 in assets under management. The Program offers five allocation objectives: Conservative; Moderately Conservative; Moderate; Growth; and Aggressive Growth. The Registrant will allocate the client’s assets, consistent with the client’s stated investment objective, in one of these five allocation models.

The registrant shall monitor performance at the model level and, to the extent necessary; changes or modifications shall be made at the model level.

Although the Registrant does not actively schedule periodic meetings or conference calls with Program participants, the Registrant shall be available, at the client’s request, for portfolio reviews and account related questions.

- Please Note: Participants in the Program do not receive Financial Planning services as part of their participation in the Program. However, the Registrant may be engaged by Program participants, on a separate Stand-Alone basis, to provide Financial Planning and Consulting Services for an additional fee (see Item 5 below).
- Please Also Note: Participants in the Program may elect to remain in the Program should their assets under management grow to exceed the \$750,000 threshold.

For important disclosure information concerning the Program and for more information about the allocation models offered through the Program and for important disclosure information, please refer to Item 8 below.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent 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.) on a stand-alone separate fee basis. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting 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 prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant's representatives in their individual capacities as registered representatives of a broker-dealer and/or licensed insurance agents. (*See* disclosures at 10 C.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

RETIREMENT PLAN CONSULTING SERVICES

The Registrant may also be engaged to provide non-discretionary qualified retirement plan investment consulting services, pursuant to which it assists sponsors of self-directed corporate sponsored retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Registrant shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall be set forth in a *Investment Advisory Agreement* between the Registrant and the plan sponsor.

MISCELLANEOUS

Limitations of Financial Planning and Non-Investment Consulting / Implementation

Services. To the extent specifically requested by the client, the Registrant *may* provide limited consultation services to its investment management clients (not in the Program described above) on investment and non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant shall not receive any separate or additional fee for any such consultation services. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as legal or accounting services. Accordingly, the Registrant does not prepare estate planning documents or tax returns. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.) including the Registrant's representatives in their individual capacities as registered representatives of a broker-dealer and/or licensed insurance agents. (*See* disclosures at 10 C.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/ revising Registrant's previous recommendations and/or services.

Use of Mutual Funds: While the Registrant may recommend allocating investment assets to mutual funds that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publically-available mutual funds that the client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds without engaging Registrant as an investment advisor, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services. Others mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through registered investment advisers. Registrant may allocate client investment assets to DFA mutual funds. Thus, if the client was to terminate Registrant's services, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply. **Registrant's Chief Compliance Officer, Michael A. Nadler, remains available to address any questions that a client or prospective client may have regarding the above.**

Please Note: Retirement Rollovers-No Obligation/Conflict of Interest: A 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 his/her former employer's plan, if permitted, (ii) roll over the assets to his/her 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). The Registrant may recommend an investor roll over plan assets to an IRA managed by the Registrant. As a result the Registrant and its representatives may earn an asset-based fee (see **Please Note** below). In contrast, a recommendation that a client or prospective client leave his or her plan assets with his/her former employer or roll the assets to a plan sponsored by a new

employer will generally result in no compensation to the Registrant (unless clients engage the Registrant to monitor and/or manage the account while maintained at his/her employer). The Registrant has an economic incentive to encourage a client to roll plan assets into an IRA that the Registrant will manage or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. There are various factors that the Registrant may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus the Registrant's, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. **No client is under any obligation to roll over plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. Please Note:** If Registrant's engagement will include the management of the client's retirement account per the same fee schedule set forth in Item 5 below, regardless of custodian or the client's decision to process a rollover, the above economic incentive to recommend a rollover is generally not present. **The Registrant's Chief Compliance Officer, Michael A. Nadler, remains available to address any questions that a client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.**

Client Obligations. 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 his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

Disclosure Statement. A copy of the Registrant's written disclosure statement as set forth on ADV Part 2 shall be provided to each client prior to, or contemporaneously with, the execution of the applicable form of client agreement.

Please Note: Inverse/Enhanced Market Strategies. The Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.

- D. Registrant does not offer a wrap fee program for its investment advisory services. However, Registrant is a participating investment adviser in certain unaffiliated wrap and managed account fee programs. The programs for which Registrant manages investment advisory accounts on a discretionary basis are sponsored by Charles Schwab & Company, Inc. (“*Schwab*”). With respect to the wrap-fee and managed account programs in which Registrant is a participating investment adviser, clients pay their transaction fees directly to the sponsoring brokers. The advisory fees separately charged by Registrant to clients are based upon an annual percentage of assets under management as discussed below.
- E. As of December 31, 2015, the Registrant had \$550,332,456 in assets under management on a discretionary basis.

Item 5 Fees and Compensation

A. INVESTMENT MANAGEMENT AND ADVISORY SERVICES

The client can engage the Registrant to provide active discretionary investment management services or retirement plan consulting services on a negotiable *fee* basis. The Registrant’s annual investment advisory fee shall generally be based upon a percentage (%) of the market value and type of assets placed under the Registrant’s management (between negotiable and 1.0%).

Registrant has three separate investment management/advisory fee schedules indicated below. One is for non-Program discretionary investment management, another for Focused Investment Objective Program participants and a separate fee schedule for investment advisory services for 401k plan trustees:

Discretionary Investment Management Fee Schedule

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$1,000,000	1.0%
Amounts between \$1-3 million	.85%
Amounts between \$3-5 million	.70%
Amounts above \$5,000,000	.50%

Please Note: Clients who maintain less than \$200,000 of assets under management are subject to a \$2,000 annual minimum fee. Therefore, those clients will pay a higher percentage annual fee than the percentage fee referenced in the above fee schedule.

Focused Investment Objective Program Fee Schedule

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$1,000,000	.85%
Amounts between \$1-1.5 million	.75%
Amounts above \$1,500,000	Negotiable

Please Note: Clients who maintain less than \$235,300 of assets under management are subject to a \$2,000 annual minimum fee. Therefore, those clients will pay a higher percentage annual fee than the percentage fee referenced in the above fee schedule.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

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.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s), but are generally provided for an hourly fee of \$250.

RETIREMENT PLAN CONSULTING SERVICES

The Registrant also provides non-discretionary retirement plan consulting services according to the terms and conditions of an *Investment Advisory Agreement* between the Registrant and the plan sponsor. The Registrant's fee for these services are negotiable, but are generally based upon the following fee schedule depending upon the services requested and the size of the plan:

<u>Assets Under Advisement</u>	<u>Annual Fee</u>
First \$2,499,999	.50%
Amounts above \$2,500,000	Negotiable

Please Note: Plans that maintain less than \$400,000 of assets under advisement are subject to a \$2,000 annual minimum fee. Therefore, those plans will pay a higher percentage annual fee than the percentage fee referenced in the above fee schedule. However, the Registrant shall never charge the plan more than 3% of the total plan assets.

- B. Clients are generally required to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment 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 quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by *Schwab*).

- D. Registrant's annual investment advisory fee shall be paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires an annual minimum fee of \$2,000 for investment advisory, investment management, and retirement plan consulting services. Please refer to Item 5.A. above for a more detailed description of such minimum fees. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its annual minimum fee requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment 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 *Investment Advisory Agreement*. Upon termination, the Registrant shall debit the account for the pro-rated portion of the unpaid advanced advisory fee based upon the number of days that services were provided during the billing quarter.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage Registrant's representatives, in their individual capacities, as registered representatives of Ausdal Financial Partners, Inc. a FINRA member broker dealer ("Ausdal"), to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Ausdal, Ausdal will charge brokerage commissions to effect securities transactions, a portion of which commissions Ausdal shall pay to Registrant's representatives, as applicable. The brokerage commissions charged by Ausdal may be higher or lower than those charged by other broker-dealers. In addition, Ausdal, as well as Registrant's Representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Ausdal presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. **The Registrant's Chief Compliance Officer, Michael A. Nadler, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services. **However,** a client may engage the Registrant to provide investment management services on an advisory

fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

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, in its sole discretion, may charge a lesser investment management fee and/or reduce or waive its aggregate account minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). Please Note: If you maintain less than the requisite amount of assets under the Registrant's management, and are subject to the \$2,000 annual minimum fee, you will pay a higher percentage fee than referenced in the above fee schedule.

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
 - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
 - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

Please Note: Investment Risk. 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). Investing in securities involves risk of loss that clients should be prepared to bear.

- B. The Registrant's method of analysis and investment strategy does not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Registrant practices tactical asset allocation and mainly recommends investment in diversified investment vehicles such as mutual funds, and exchange traded funds. Registrant strives to reduce investment risk through diversification while pursuing a desired rate of return range by spreading an individual's investments over a number of asset classes with different risk and return characteristics. These asset classes include, but are not limited to, large-cap stocks, mid-cap stocks, small-cap stocks, foreign stocks, emerging market stocks, corporate bonds, bond funds, exchange traded notes, municipal bonds, government bonds, commodities, and money market instruments.

Focused Investment Objective Program: For clients maintaining less than \$750,000 in assets under management with Registrant, and if consistent with a client's stated investment objectives, Registrant's may allocate client's investment assets on a discretionary basis among its Focused Investment Objective Program.

This investment option is intended for certain clients with assets under management of less than \$750,000. The portfolio may consist of one or more mutual funds and/or ETFs from our "Recommended Fund List" that are comparable to certain benchmark indexes. Participants in the Focused Investment Objective Program may select from one of the following five allocation objectives: Conservative; Moderately Conservative; Moderate; Growth; and Aggressive Growth.

Registrant developed its Focused Investment Objective Program by utilizing Morningstar's[®] benchmark allocations, which were adjusted to fit Registrant's investment objectives.

Registrant's Focused Investment Objective Program asset allocation strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as Registrant's asset allocation programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to Registrant's management of client assets:

1. Initial Interview – at the opening of the account, the Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly the Registrant shall notify the client to advise the Registrant whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, the Registrant shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – the Registrant shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct the Registrant not to purchase certain mutual funds;
8. No Pooling – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;
10. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

The Registrant believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided under the Investment Advisory Agreement; and (2) the fees charged by other investment advisers offering similar services/programs. However, Registrant's annual investment management fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Registrant's annual investment management fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses).

Please Note: Registrant's investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

Participants in the Focused Investment Objective Program may select from one of the following five allocation objectives:

Conservative: This investment structure is intended to generate a stable level of income which may be reinvested, with capital appreciation as a secondary objective. A modest level of principal fluctuation is expected and acceptable in this investment structure, which may typically consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on fixed income.

Moderately Conservative: This investment structure is intended to generate a stable level of income, which may be reinvested, and also some future capital appreciation. Some principal fluctuation is expected and acceptable over an intended investment time horizon of at least five years. Under this investment structure, the typically determined allocation may consist of equities, fixed income, and cash.

Moderate: This investment structure is intended to generate both current income and future capital appreciation. Principal risk and fluctuation is expected and acceptable over an intended investment time horizon of at least five years. Under this investment structure, the typically determined allocations may consist of equities, fixed income, and cash.

Growth: This investment structure is intended to generate future capital appreciation, with the generation of current income being a secondary objective. Principal risk and fluctuation is expected and acceptable over a long-term investment time horizon of at least five years. Under this investment structure, the typically determined allocations may consist of equities, fixed income, and cash, with a primary emphasis on equities.

Aggressive Growth: Investing with an emphasis on future capital appreciation. Principal risk and fluctuation is expected and acceptable over a long-term time horizon of at least five years. The portfolio may consist of a determined allocation among equities, fixed income, and cash, with a primary emphasis on equities.

Item 9 Disciplinary Information

The Registrant has not been the subject of a disciplinary action.

Item 10 Other Financial Industry Activities and Affiliations

- A. As disclosed in Item 5E above, certain of Registrant's representatives, in their individual capacities, as registered representatives of *Ausdal*, a FINRA member 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. **Registered Representatives of Ausdal.** As disclosed above in Item 5.E, Registrant's Principal and certain representatives are also registered representatives of *Ausdal*, a FINRA member broker-dealer. Clients can choose to engage Registrant's Principal and/or Representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

Licensed Insurance Agents. Certain of Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4B above, clients can engage certain of Registrant's representatives to effect insurance transactions on a commission basis.

Conflicts of Interest: The recommendation by the Registrant or its related persons that a client purchase securities or insurance products on a commission basis presents *conflicts of interest*, as the receipt of commissions may provide an incentive to recommend investment or insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's related persons. Clients are reminded that they may purchase securities and insurance products recommended by Registrant through other, non-related broker-dealers and/or insurance agents. **The Registrant's Chief Compliance Officer, Michael A. Nadler, remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.**

- D. The Registrant does not recommend or select other investment advisors 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 the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the 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 creates a potential 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 Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Furthermore, Access Persons must provide the Chief Compliance Officer with a quarterly transaction report, detail all trades in the Access Person's account during the previous quarter; and on an annual basis, each Access Persons must provide the Chief Compliance Officer with a written report of the Access Person's current securities holdings. However, 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 creates a potential conflict of interest. As indicated above in Item 11C, 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. In the event that the client requests that Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment 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 Registrant considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with 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 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 Registrant determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer 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 investment management fee. Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab* (or another broker-dealer/custodian investment platform, unaffiliated investment manager, vendor, and/or mutual fund sponsor) 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. Included within the support services that may be obtained by the Registrant may be 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 gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, 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 *may* be received 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.

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, Michael A. Nadler, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

Products and Services Available to Registrant from *Schwab* through *Schwab* Advisor Services

In addition, and without limiting the foregoing, Registrant is a participating member in *Schwab* Advisor Services, (formerly called *Schwab* Institutional), which is *Schwab*'s business serving independent investment advisory firms like Registrant. *Schwab* 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. Some of those services help Registrant manage or administer its clients' accounts while others help Registrant manage and grow its business. *Schwab*'s support services are generally available on an unsolicited basis, (Registrant does not have to request them) and at no charge to Registrant as long as it keeps a total of at least \$10 million of its clients' assets in accounts at *Schwab*. If Registrant has less than \$10 million in client assets at *Schwab*, Registrant may incur quarterly service fees. Below is a more detailed description of *Schwab*'s support services:

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 its clients. *Schwab*'s services described in this paragraph generally benefit clients' account.

Services that May Not Directly Benefit the Client

Schwab also makes available to us other products and services that benefit Registrant but may not directly benefit the client or the clients' account. These products and services assist Registrant in managing and administering Registrant's 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 our 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 our fees from our 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 us manage and further develop Registrant's business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to the 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 our personnel.

Registrant's Interest in *Schwab*'s Services

The availability of these services from *Schwab* benefits Registrant because it does not have to produce or purchase them. Registrant does not pay for *Schwab*'s services provided that it maintains at least \$10 million of client assets in accounts at *Schwab*. Beyond that, these services are not contingent upon Registrant committing any specific amount of business to *Schwab* in trading commissions or assets in custody. The \$10 million minimum may give Registrant

an incentive to recommend that clients maintain their account with *Schwab* based on our interest in receiving *Schwab*'s services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest.

Registrant believes, however, that when its recommendation of *Schwab* as custodian and broker is in the best interests of its clients, no such conflict is presented because that decision is supported by the scope, quality and price of *Schwab*'s services (based on the factors discussed above)

2. Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such 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 or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, 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.

Please Note: In the event that the client directs Registrant to effect 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. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

The Registrant's Chief Compliance Officer, Michael A. Nadler, remains available to address any questions that a client or prospective client may have regarding the above arrangements.

- 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, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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 wealth managers. 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.1 above, the Registrant receives economic benefits from *Schwab* including support services and/or products from *Schwab* without cost 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 arrangement.

The Registrant's Chief Compliance Officer, Michael A. Nadler, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

- 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 quarterly basis. 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.

Please Note: To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

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, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Michael A. Nadler, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.