

Form ADV Part 2A: Brochure

**Crossroads Financial
Management**

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This brochure provides information about the qualifications and business practices of Crossroads Financial Management. If you have any questions about the contents of this brochure, please contact us at 913-451-8351. 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 Crossroads Financial Management also is available on the SEC's website at www.adviserinfo.sec.gov.

Larmer & Elstun is an SEC registered investment adviser. Registration does not imply any level of skill or training

August 9, 2017

Item 2 Material Changes

There are no material changes in this brochure from the last annual updating amendment of Crossroads Financial Management on 03/16/2016.

The material changes in this brochure from the last annual updating amendment of Crossroads Financial Management on 03/21/17 are described below. Material changes relate to Crossroads Financial Management's policies, practices or conflicts of interests.

- Item 4 (Advisory Business) has been updated William Larmer is no longer partner at CrossRoads

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Item 4 Advisory Business

Crossroads Financial Management is a Kansas limited liability company that succeeded to the investment advisory business of William B. Larmer & Associates, Inc. in 2006. Unless the context requires otherwise, in this brochure we use the terms “we,” “us,” “our” and “Larmer & Elstun” to refer to Crossroads Financial Management. We are owned by Doug E. Elstun, who each serves as manager, and provides continuous investment management services to individuals, their trusts, estates 401(k) plans and IRAs, pension and profit sharing plans and corporations. We review each client’s need and financial situation and use quantitative investment strategies in providing portfolio management and financial planning services to develop an investment plan that meets each client’s individual objectives.

We currently provide investment management services on a non-discretionary basis and have also started managing all or a portion of certain clients’ assets on a discretionary basis.

In some cases, we recommend investments in various mutual funds to meet clients’ needs. We recommend both load and no-load mutual funds, which are all purchased at net asset value (“NAV”), individual stocks and bonds, and ETF funds. We may also assist clients that wish to make alternative investments, including privately placed securities, real estate, oil and gas and commodities investments. As appropriate, other investment vehicles may be recommended to meet a client’s investment objectives. We also provide advice on various investments held by a client upon request.

As of December 31, 2016, we had approximately \$150,000,000.00 in discretionary assets under management.

In addition to the advisory services discussed above, we also provide advice on buying and selling businesses, farmland, raw land and cattle and may, upon request, refer clients to an unaffiliated third party for mortgage-related services, business management services, personal financial management services, and estate planning services.

Item 5 Fees and Compensation

Prior to engaging us to provide investment advisory services, each client will be required to enter into a written agreement with us setting forth the terms and conditions of the engagement and describing the scope of the services to be provided. The advisory agreement between us and a given client may be terminated by either party at any time upon written notification in accordance with the applicable contractual notice of termination. If the advisory agreement is terminated before the end of the billing cycle, we will refund to the client that percentage of such prepaid fees attributable to services not yet performed during the payment period. However, we will not refund that portion of any prepaid advisory fees that are directly attributable to services provided by us during the payment period, even if assessed at the termination of the relationship.

In connection with providing investment advisory services, including pension consulting services, we charge an annual negotiable fee based on a percentage of assets under management, which is based on the total market value of the securities held in client accounts, including

margined securities. Generally, our marginal/progressive fee schedule is as follows:

Portfolio Size	% of Portfolio
\$0 to \$2,500,000	1.00 to 1.50
\$2,500,001-\$4,500,000	0.85
\$4,500,001-\$7,000,000	0.75
\$7,000,001-\$10,000,000	0.65
Over \$10,000,000	0.50

The actual annual fee is determined based on a number of factors, including the market value of the assets under supervision, the services provided, and the length of the relationship, but such fee normally ranges between 0.50% and 1.00% of assets under supervision (including margined securities).

The annual fee is payable quarterly, in arrears, based on the average value of a client's portfolio over each preceding three-month period in the quarter as determined by the custodian of such client's account, or such lesser period a client's assets are under management. Periods of less than one quarter will be prorated. Clients may either elect to have us bill them directly for the quarterly asset management fees or clients may authorize us to cause our quarterly asset management fee to be deducted and paid directly from their accounts. The client's custodian generally deducts such fee directly from each client's account and pays the fees directly to us.

Because our annual management fee is calculated based on the total market value of the securities held in client accounts, including margined securities, we may earn greater fees than it would have if clients were billed only on the net account values. This practice may involve a conflict of interest between a client's interests in protecting his, her or its accounts against downside risk from too great a use of margin and our interest in maximizing our advisory fees.

We may negotiate the advisory fees payable by any client and we reserve the right to waive fees in whole or in part in our sole discretion for marketing or promotional reasons for varying periods of time. Such waivers may be extended to our employees and their family members.

The advisory fee is exclusive of, and in addition to, brokerage commissions, transaction fees and other related charges and expenses imposed by unaffiliated third parties, which must be paid by the client in addition to the advisory fee charged by us. See Item 12 below for additional information relating to our brokerage practices. Clients may also incur other fees imposed by unaffiliated third parties such as retirement plan administrative fees, deferred sales charges on mutual funds initially deposited into the account, custodial fees, no load mutual fund 12(b)(1) fees (i.e. trail commissions) (although we generally recommend investment in institutional class of shares in mutual funds that do not include 12(b)(1) fees) and other mutual fund expenses as described in the prospectus of each fund. In addition, some mutual funds pay their regular and recurring, fund-wide operating expenses out of fund assets rather than by imposing separate fees and charges on investors, such as 12(b)(1) fees. Because these expenses are paid out of fund assets, investors are paying them indirectly.

We also provide investment advice in the form of reviews and consultations on specific investments, financial plans or matters. Under these specific engagements, a fee of \$250 per hour is generally charged and is payable upon completion of the service. The hourly charges are negotiable in our discretion. These fees are billed to the client.

Additionally, we may provide advice on buying and selling businesses, farmland, raw land and cattle. In connection with providing business consulting services, fees may be charged at hourly rates - typically \$250 per hour - or as a percentage based on the value of the asset – typically ranging anywhere from 4% on up of the value of the asset. These fees are billed to the client and payable upon completion of the service. These fees are also negotiable in our discretion.

Upon request, we may refer clients to an unaffiliated third party for mortgage-related services. Any fees charged will be as required by such third party. We may receive a portion of the fee charged by such unaffiliated third party in connection with the referral.

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

We do not charge performance-based fees. See Item 4 above regarding fees payable to us and our supervised persons. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of the client.

Item 7 Types of Clients

We manage individual, institutional and retirement investment portfolios, including without limitation pension and profit sharing plans, trusts, estates or charitable organizations and corporations or other business entities. We do not impose a minimum amount to open and maintain an advisory account.

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

Methods of Analysis and Investment Strategies.

We use quantitative investment strategies in providing portfolio management and financial planning services. Our investment analysis methods include fundamental, - and technical analysis. In formulating investment recommendations, our source materials include materials from Morningstar, Bloomberg and Lipper.

Investing in securities involves risk of loss that clients should be prepared to bear. The investment in any security is subject to numerous factors which are neither within the control of nor predictable by us or our management. Such factors include a wide range of economic, political, competitive and other conditions that may affect the capital markets in general or specific industries or companies. It is possible that the financial performance of a client's portfolio may fluctuate from period to period. In addition to the general risks inherent in any investment, the risks identified below in subparagraph B should be carefully considered.

Material Risks Involved in the Adviser's Investment Strategies.

The following risks have been identified by us as material risks involved in effecting our investment strategies and methods of analysis:

Quantitative Investment. The effectiveness of quantitative methodologies is primarily dependent on two components: the accuracy of the data going into the model and the theoretical foundation of the model itself. Our advisory representatives must continually review the portfolio investments to make sure that non-quantifiable factors such as lawsuits, management changes, industry competition or regulatory issues are unlikely to substantially change the potential for each portfolio investment.

No Guarantee of Performance. Neither we nor our advisory representatives can guarantee that the implementation of our strategies will achieve a client's investment objectives.

Market Volatility. The effectiveness of a given strategy substantially depends upon our correctly assessing the future price movements of stocks, exchange traded funds ("ETFs"), debt securities and other securities and the movements of interest rates.

Margin Risks. Investors generally use margin to increase their purchasing power so that they can own more stock without fully paying for it. However, margin exposes investors to the potential for higher losses. Margin investing creates additional risks to clients due to the magnification of losses with leverage. Among other things, margin risks include, without limitation, the following: (i) clients can lose more money than invested; (ii) clients may have to deposit additional cash or securities in their account on short notice to cover market losses; (iii) clients may be forced to sell some or all of their securities when falling stock prices reduce the value of their securities; and (iv) the brokerage firm may sell some or all of a client's securities without consulting the client to pay off the loan that was made to the client.

Accuracy of Public Information. We recommend investments for our clients, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to us by the issuers or through sources other than the issuers. Although we evaluate all such information and data, we are not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

Reliance on Technology. We rely heavily upon information systems and other technology to conduct and manage our advisory business. To the extent that we experience a failure or interruption in any of these systems or other technology, we may be unable to conduct and manage our investment strategies effectively, including without limitation, our trading and hedging activities. Although we have implemented a business continuity plan, there can be no assurance that such plan will be able to prevent, timely and adequately address or mitigate the negative effects of any such failure or interruption.

Risks Attendant to Specific Securities.

We at times recommend investments in a variety of mutual funds. Most mutual funds fall into one of three main categories — money market funds, bond funds (also called "fixed income" funds), and stock funds (also called "equity" funds). Each type has different

features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

Money Market Funds: Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high-quality, short-term investments issued by the U.S. government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV) — which represents the value of one share in a fund — at a stable \$1.00 per share. But the NAV may fall below \$1.00 if the fund's investments perform poorly. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. Inflation risk — the risk that inflation will outpace and erode investment returns over time — can be a potential concern for investors in money market funds.

Bond Funds: Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high-quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards. Some of the risks associated with bond funds include:

- **Credit Risk** — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.
- **Interest Rate Risk** — the risk that the market value of the bonds will go down when interest rates go up. Because of this, an investor can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.
- **Prepayment Risk** — the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or “retire”) its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

Stock Investments: Although a stock fund's and ETF's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments — including corporate bonds, government bonds, and treasury securities. Overall “market risk” poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons — such as the overall strength of the economy or demand for particular products or services. Stock investments may vary by investment philosophy and objective.

Because each mutual fund has its own specific risks, clients should read the prospectus of each mutual fund in which it invests.

As previously indicated, we may recommend investments in ETFs. A primary benefit of an investment in an ETF is that such investment provides a diversified portfolio of stocks, bonds, etc. However, individual ETF's are subject to the same market risks as the index or sector they

are designed to track, and thus when redeemed or sold, may be worth more or less than their original cost. If we invest in a specific fund or sector too late, there is the possibility of a downturn and significant losses. Additionally, the more focused an ETF is or the smaller the tracked sector, the higher the risk of market volatility and negative returns.

Item 9 Disciplinary Information

Neither we nor our advisory representatives have been involved in legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management.

Item 10 Other Financial Industry Activities and Affiliations

Affiliations with Broker-Dealers

Neither we nor any of our management persons are registered as a broker-dealer or as a registered representative of a broker-dealer.

Affiliations with Futures Commission Merchants, Commodity Pool Operator or Commodity Trading Advisors

Neither we nor any of our management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Other Material Arrangements

Neither we nor any of our management persons has any relationships or arrangements that are material to our advisory business with a related person who is:

1. A broker-dealer, municipal securities dealer, or government securities dealer or broker;
2. An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);
3. An investment adviser or financial planner;
4. A futures commission merchant, commodity pool operator, or commodity trading advisor;
5. A banking or thrift institution;
6. An accountant or accounting firm;
7. A lawyer or law firm;
8. An insurance company or agency;
9. A pension consultant;
10. A real estate broker or dealer; or
11. A sponsor or syndicator of limited partnerships.

Relationships with Other Investment Advisers

Although we do not regularly recommend or select other investment advisers to render advice for our clients, we may recommend or select other investment advisers to render advice

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for our clients. Under such circumstances, we would likely receive compensation directly or indirectly from such advisers. Clients are advised that a conflict of interest may exist if we receive compensation in connection with recommending or selecting other investment advisers for our clients.

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

Code of Ethics

We have adopted a Code of Ethics. Pursuant to Section 204A of the Investment Advisers Act of 1940 (as amended, the “Advisers Act”) and Rule 204A-1 promulgated thereunder, our Code of Ethics contains written policies and procedures reasonably designed to prevent the misuse of material, nonpublic information by us and our supervised persons in violation of the Advisers Act or the Securities Exchange Act of 1934, or the rules or regulations thereunder. The Code of Ethics sets forth the standards of business conduct that we expect from our supervised persons and requires our supervised persons to comply with applicable federal securities laws. The Code of Ethics also requires that certain of our supervised persons (called “Access Persons” under the Advisers Act) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. The Code of Ethics requires the following: (1) our supervised persons must report any violations of the Code of Ethics promptly to the Chief Compliance Officer, (2) we must provide each of our supervised persons with a copy of the Code of Ethics and any amendments, and (3) the supervised persons must provide us with a written acknowledgment of their receipt of the Code of Ethics and any amendments thereto. A copy of our Code of Ethics is available upon request.

Participation or Interest in Client Transactions and Personal Trading

We and our related persons may buy and sell securities for their own account that are identical to the investment products we recommend to clients. All such holdings and transactions are subject to our written policies and procedures, which require that we and our related persons place the interests of clients ahead of their own interests. Given similar investment strategies within the same time frame, client transactions will be effected first and further based on a discretionary measure of fairness as determined by our principals. We have also adopted a policy on insider trading.

Item 12 Brokerage Practices

The Custodian and Brokers We Use

We do not maintain custody of your assets on which we advise (although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (*see Item 15 Custody, below*). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. As of December 20, 2011, we began recommending that our clients use Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Prior to December 20, 2011, we recommended that our clients use another broker-dealer as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to upon receipt of your

authorization. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we will assist you in opening the account. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described in the next paragraph.

How We Select Brokers/Custodians to Recommend

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody);
- capability to execute, clear and settle trades (buy and sell securities for your account);
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.);
- availability of investment research and tools that assist us in making investment Decisions;
- quality of services;
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them;
- reputation, financial strength and stability of the provider;
- their prior service to us and our other clients; and
- availability of other products and services that benefit us, as discussed below (*see “Products and Services Available to Us from Schwab”*).

Your Custody and Brokerage Costs

For our clients’ accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab’s commission rates applicable to our client accounts were negotiated based on our commitment to maintain \$85 million of our clients’ assets statement equity in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be if we had not made the commitment. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

Products and Services Available to Us from Schwab

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms like us. They provide us and our 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 us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we do not have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients' assets in accounts at Schwab. If we have less than \$10 million in client assets at Schwab, it may charge us standard quarterly service fees. Here is a more detailed description of Schwab's support services:

Services that Benefit You. 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 we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Services that May Not Directly Benefit You. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We 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 Us. Schwab also offers other services intended to help us manage and further develop our 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 us. 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 us with other benefits such as occasional business entertainment of our personnel.

Although our research has generally found Schwab's fees to be lower than other broker-dealers, the fees charged by Schwab may be higher or lower than those charged by other broker-dealers.

We anticipate using all of the support services made available by Schwab, including investment research, software and other technology, and services intended to further develop our advisory business.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum may give us an incentive to recommend that you maintain your 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.

In connection with our decision to recommend Schwab to act as the custodian of our clients' accounts, Schwab agreed to provide us assistance of up to \$50,000 in 2012 to be used towards technology, research, marketing, compliance and consulting related expenses. Schwab also agreed to reimburse us for Transfer of Account Exit Fees in an amount not to exceed \$40,000. To be eligible, our client accounts must be transferred to Schwab by December 20, 2012. These funds will be used towards the fees our clients' accounts will bear if the assets of these accounts are transferred to Schwab. By December 20, 2012, Schwab will consider providing additional benefits in 2013 up to \$50,000. The above referenced benefits are based on the expectation that we will have at least \$85,000,000 in Schwab client accounts by December 20, 2012 and continue to retain these assets with Schwab in 2013.

These benefits may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving these benefits for 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. However, we believe that our selection of Schwab as custodian and broker is in the best interests of our clients due in part to the scope, quality and price of Schwab's services (based on the factors discussed above – *see "How We Select Brokers/Custodians to Recommend"*). As of January 31, 2012, we had significantly in excess of \$100 million in client assets under management. Accordingly, although such benefits might be viewed as a potential conflict of interest, we do not believe that maintaining at least \$10 or 85 million of those assets at Schwab to receive these benefits presents a material conflict of interest.

Although we do not receive or share in any commissions paid to broker-dealers, the commissions/ticket charges paid by our clients will comply with our duty to obtain "best execution." Although based on our research we believe Schwab's fees are lower than other broker-dealers, a client may pay a commission ticket charge that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that

the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while we will seek competitive rates and we believe Schwab is a low cost provider, we may not necessarily obtain the lowest possible commission rates for client transactions.

If a client requests us to arrange for the execution of securities brokerage transactions for the client's account, we will direct such transactions through broker-dealers that Larmer & Elstun reasonably believes will provide best execution. Transactions may be cleared through other broker-dealers with whom we have entered into agreements for brokerage clearing services. We will periodically and systematically review our policies and procedures regarding recommending broker-dealers to our client in light of our duty to obtain best execution.

The client may direct us in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for the accounts managed by us. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to our duty of best execution, we may decline a client's request to direct brokerage if, in our sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

Aggregation

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable expense ratios, or to allocate equitably among our clients difference in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among our clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which our advisory affiliate(s) may invest, we will generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the United States Securities and Exchange Commission.

We will not receive any additional compensation or remuneration as a result of the aggregation.

Item 13 Review of Accounts

Review of Client Accounts or Financial Plans; Content and Frequency of Regular Reports.

Client accounts are monitored on a regular ongoing basis. All reviews are conducted by Douglas E. Elstun. A client's account is reviewed, and reports setting forth the investments made and the amounts invested during the period are provided, monthly, quarterly or semi-annually depending on, among other factors, each particular client's investment objective, client guidelines, market conditions, type of account, account size and changes in the client's financial status, as communicated by the client. Mr. Elstun prefers to review accounts and meet with clients on periodic basis. The reviews consider, among other things, whether the investment advice or financial plan is achieving the account's investment objectives, market conditions at the time of the review and changes in the client's financial status, as communicated by the client.

Portfolio transactions are reconciled with the client's custodian daily. There are no fixed limits on the number of accounts assigned to Mr. Elstun for review.

See Item 15 below regarding additional reports provided to clients.

Item 14 Client Referrals and Other Compensation

We have entered into arrangements where we compensate certain persons for client referrals. If a client is introduced to us, we will pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 promulgated under the Advisers Act and any corresponding state securities law requirements. Under our referral arrangements, we may pay the solicitor a quarterly fee up to 25% of the advisory fees such referred client pays to us for the management of such client's investment portfolio. All referral fees are paid solely from our investment management fee and do not result in any additional charge to the client. If the client is introduced to us by a solicitor (other than with respect to the provision of impersonal advisory services or by a solicitor who is (A) one of our partners, officers, directors or employees or (B) a partner, officer, director or employee of a person which controls, is controlled by, or is under common control with us), the client will be given, prior to or at the time of entering into any advisory contract with the client, (1) a copy of this brochure that meets the requirements of Rule 204-3 promulgated under the Advisers Act, and (2) a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any solicitor with whom we are affiliated will disclose the nature of his/her relationship with us to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of our brochure at the time of the solicitation.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Item 15 Custody

We require all of our clients to designate a custodian for the securities held in the client's account. We prefer and recommend that clients use Schwab as custodian, but clients may instruct us to use a different custodian. Under government regulations, we are deemed to have custody of a client's assets if the client authorizes us to instruct Schwab to deduct its advisory fees directly from the client's account. Schwab maintains actual custody of the client's assets.

You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. The account statements will

(i) identify the amount of funds and each security in your account at the end of the period, including, among other things, the nature and types of securities held in the account, cost and current market value; and (ii) set forth all transactions in your account made during that period, including, without limitation, all purchases, sales, income, capital changes and disbursements. We also urge you to compare Schwab's account statements to the periodic account statements you will receive from us.

Item 16 Investment Discretion

We recently have begun to accept discretionary authority to manage securities accounts on behalf of clients. Advisory clients may not impose restrictions on the types of securities. We will be considered to exercise investment discretion over a client's account if we can effect transactions for the client without first having to seek the client's consent. In situations where we have discretionary authority, we will have this authority through a power-of-attorney included in the agreement between us and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold).

Item 17 Voting Client Securities

Voting Policies and Procedures

We do not have or accept authority to vote client securities.

Responsibility of Client to Vote Securities

Each client is responsible for voting its own proxies. We will not be required to take any action or render any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which client assets are invested. Proxies or other solicitations will be mailed to the account address of record directly from the custodian. We will not offer clients advice regarding corporate action, the exercise of proxy voting rights or a particular solicitation. All such inquiries should be directed to the client's legal counsel.

Item 18 Financial Information

We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.

We have never been the subject of a bankruptcy petition.