

January 1, 2018

FORM ADV PART 2A ("FIRM BROCHURE")
FOR BARNETT FINANCIAL, INC.

Item 1 – Cover Page

Barnett Financial, Inc.

7000 N. Mopac, Suite 495

Austin TX 78731

(512) 454-5459

www.barnettfinancial.com

This brochure provides information about the qualifications and business practices of Barnett Financial, Inc. If you have any questions about the contents of this brochure, please contact Christopher Lion, Chief Compliance Officer, at (512) 454-5459 and/or christopher@barnettfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Barnett Financial, Inc., also is available on the SEC's website at www.adviserinfo.sec.gov. The firm's CRD# is 114414.

Item 2 – Material Changes

The purpose of this page is to document any material changes since the last annual update to this brochure.

Barnett Financial, Inc., reviews and updates our brochure at least annually to make sure that it remains current. We have made the following material changes since the last annual update to this brochure, dated January 1, 2017:

- The firm now is deemed to have custody as a result of having login credentials to accounts not held at Schwab.

Barnett Financial provides new brochures as necessary based on changes or new information, at any time, without charge.

The complete ADV Part 2A ("firm brochure") may be requested by contacting Christopher Lion, Chief Compliance Officer, at (512) 454-5459 or christopher@barnettfinancial.com.

Additional information about Barnett Financial, Inc., is available via the SEC's website, www.adviserinfo.sec.gov. The SEC's website provides information about any persons affiliated with Barnett Financial, Inc., who are registered, or are required to be registered, as investment adviser representatives of Barnett Financial, Inc.

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Item 4 – Advisory Business

About Barnett Financial, Inc.

Barnett Financial, Inc. ("Barnett") is a corporation formed in 1999 in the state of Texas. The principal owner of the firm is Laura Barnett Lion.

This narrative brochure provides information regarding Barnett and the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of Barnett.

Prior to engaging Barnett to provide services, clients are required to enter into an agreement with Barnett. This agreement sets the terms and conditions of the engagement, describes the scope of the services to be provided, and details the corresponding fees, among other things. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from Barnett. It remains the client's responsibility to promptly notify Barnett if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Barnett's previous recommendations and/or services.

As a result of a change effective June 9, 2017, to the Employment Retirement Income Security Act (ERISA), Barnett Financial, Inc. hereby acknowledges that it is a "fiduciary" when the firm's services are subject to the provisions of ERISA of 1974, as amended.

Financial Planning and Consulting

Barnett offers broad-based financial planning services. Such advice typically involves providing a variety of services, principally advisory in nature, to clients regarding the management of the client's financial resources based upon an analysis of each client's individual needs. The process typically begins with an initial complementary consultation. During or after the initial consultation, if the client decides to engage Barnett for financial planning services, pertinent information about the client's personal and financial circumstances and objectives is collected. Financial planning clients may be required to complete an investment-related questionnaire as part of the information gathering process. As required, Barnett conducts follow-up interviews for the purpose of reviewing and/or collecting financial data. Once such information has been studied and analyzed, a written financial plan – designed to achieve the client's expressed financial goals and objectives – is produced and presented to the client.

To the extent requested by the client, financial planning advice may be rendered in the areas of retirement planning, personal tax and cash flow planning, estate planning, insurance planning, college planning, and compensation and benefits planning, among others.

Financial plans are based on the client's financial situation at the time the plan is presented and are based on financial information disclosed by the client to Barnett. Clients are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance. Barnett cannot offer any guarantees or promises that the client's financial goals and objectives will be met. As the client's financial situation, goals, objectives, or needs change, the client must notify Barnett promptly.

Investment Management

Upon completion of the initial financial planning services, Barnett provides both ongoing financial planning and investment management on a *fee-only* basis. The scope of the ongoing annual financial planning and/or related consultation services to be rendered by Barnett as part of the annual fee is intended to generally be limited to reviewing/evaluating/revising Barnett's previous recommendations and/or services relative to a change in the client's financial situation and/or investment objectives.

Subject to any written guidelines, which the client may provide, Barnett is granted discretion and authority to manage the account. Accordingly, Barnett is authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include making all investment decisions on the (a) securities purchased/sold and (b) the amount of securities to be purchased/sold. Once the portfolio is constructed, Barnett provides ongoing supervision and rebalancing of the portfolio as changes in market conditions and client circumstances may require.

Barnett primarily allocates investment management assets of its client accounts among various mutual funds and exchange-traded funds (and to a much lesser extent, among various individual debt and equity securities), on a discretionary basis, in accordance with the investment objectives of the client. Barnett primarily recommends that all investment management accounts be maintained at Charles Schwab & Co., Inc.

After consultation with Barnett, clients may impose restrictions on investing in certain securities or types of securities. Other restrictions may be imposed by clients with respect to the (average or longest) maturity or credit quality of fixed income investments. In either case, all such restrictions must be in writing.

Retirement Rollovers-No Obligation/Conflict of Interest: A client leaving an employer typically has four options (and may engage in a combination of these options): 1) leave the money in his former employer's plan, if permitted, 2) roll over the assets to his/her new employer's plan, if one is available and rollovers are permitted, 3) rollover to an Individual Retirement Account (IRA), or 4) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences).

Barnett may recommend an investor roll over plan assets to an IRA managed by Barnett. As a result, Barnett may earn an asset-based fee.

There are various factors that Barnett 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 those of Barnett, iv) 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 Barnett.

Trade Error Policy

Should they occur, losses resulting from Barnett's trade errors shall be reimbursed by either Barnett or the custodian.

Client Obligations

In performing its services, Barnett is not required to verify any information it receives from the client or from the client's other professionals. Moreover, each client is advised that it remains his or her responsibility to promptly notify Barnett of any material change in the client's financial situation or investment objectives during the client engagement.

Disclosure Statement

A copy of Barnett's Form ADV Part 2A ("firm brochure") shall be provided to each client prior to, or at the same time as, the execution of the *Investment Advisory Agreement*. Any client who has not received a copy of Barnett's written brochure at least 48 hours prior to executing the *Investment Advisory Agreement* shall have five business days subsequent to executing the agreement to terminate Barnett's services without penalty.

Non-Participation in Wrap Fee Programs

Barnett, as a matter of policy and practice, does not sponsor any wrap fee program. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment supervisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

Amount of Assets Under Management

As of December 31, 2017, Barnett provided advice on approximately \$161.9 million in assets. Ninety-three percent of these assets are managed on a discretionary basis.

Our Policy on Class Action Lawsuits

From time to time, securities held in the accounts of clients are the subject of class action lawsuits. Barnett has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Barnett has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Barnett receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it forwards all notices, proof of claim forms, and other materials, to the client. Electronic mail is acceptable where appropriate if the client has authorized contact in this manner.

Item 5 – Fees and Compensation

Financial Planning

Barnett offers financial planning to its clients based on a fixed fee that ranges between \$200 and \$6,000, depending on the scope and complexity of the plan. Typically, Barnett charges a minimum hourly fee of \$200.

When the scope of the financial planning services has been agreed upon, a determination is made as to applicable fee, and an estimate is provided to the client. The final fee, subject to negotiation, depends upon the facts and circumstances of the client's financial situation and the complexity of the financial plan or services requested. *In limited circumstances*, the cost/time could potentially exceed the initial estimate. In such cases, Barnett notifies the client and may request that the client pay an additional fee.

Barnett may require that the client pay an initial retainer in advance of any services rendered. The remaining balance is invoiced and payable at the end of each month. However, at Barnett's discretion, other fees and fee payment arrangements may be negotiated. The fees and terms of the financial planning services are clearly set forth in the client agreement executed between the client and Barnett.

Investment Management

The annual fee for portfolio management services is billed quarterly in arrears and is based on the market value of client assets on the last day of the quarter. Fees are assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of a calendar quarter. On an annualized basis, Barnett's fees for ongoing portfolio management services are based on the following tiered fee schedule:

<u>Portfolio Tier</u>	<u>Annualized Fee*</u>
First \$1,000,000	1.00%
Next \$2,000,000	0.70%
Next \$2,000,000	0.45%
Next \$3,000,000	0.35%
Over \$8,000,000	0.25%

*Client accounts are typically aggregated for fee calculations.

Legacy clients may have a different fee structure. Certain clients may negotiate a lesser fee based on certain circumstances. For example, at its discretion, Barnett may allow members of the same household to be aggregated for purposes of determining the advisory fee. Such aggregation may be allowed when the Firm services accounts on behalf of minor children of current clients, individual and joint accounts for a spouse.

Payment for management fees are made by the qualified custodian holding the client's funds and securities, provided the client provides written authorization permitting the fees to be paid directly from the client's account. Barnett does not have access to client funds for payment of fees without client consent in writing. Further, the qualified custodian agrees to deliver a quarterly account statement directly to the client showing all disbursements from the account. The client is encouraged to review their account statements for accuracy. Barnett receives a duplicate copy of the statement that is delivered to the client. Alternatively, Barnett may invoice clients directly for portfolio management fees. When clients are billed directly, payment is due upon receipt of Barnett's invoice.

General Information Regarding Advisory Services and Fees

Barnett does not represent, warrant, or imply that the services or methods of analysis used by Barnett predicts future results, successfully identifies market tops or bottoms, or insulates clients from losses due to market corrections.

Advice offered by Barnett involves investments in various security types, including mutual funds, exchange-traded funds and fixed income securities. All fees paid to Barnett for investment supervisory services are separate and distinct from the fees and expenses charged by such securities to their shareholders, as described in the prospectus of each offering. These fees may include a management fee and other fund expenses. Further, transaction charges may be applicable when purchasing and selling securities. Barnett does not share in any portion of the brokerage fees and/or transaction charges imposed by the broker-dealer/custodian holding the client funds or securities. Clients should review all such fees to fully understand the total paid.

Custodians may impose account termination fees upon the transfer of an account from one brokerage firm (broker-dealer/custodian) to another. These account termination fees are believed to range generally from \$0 to \$200 at present, but at times may be much higher. Clients should contact their custodians (brokerage firms, banks, or trust companies, etc.) to determine the amount of account termination fees which may be charged and deducted from their accounts for any existing accounts which may be transferred. Such charges, fees, and commissions are exclusive of and in addition to the firm's fee, and the firm does not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that the firm considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Barnett clients pay fees based upon a percentage of the assets advised upon. This is a very common form of compensation for registered investment supervisory firms and avoids the conflicts of interest associated with commission-based compensation (Barnett does not accept commission-based compensation of any nature, nor does Barnett accept 12b-1 fees).

Assets-advised-upon percentage method of compensation may at times lead to conflicts of interest between our firm and our client. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gift funds to charities or to individuals; purchase of a (larger) home or cars or other non-investment assets; purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private equity investments, and the amount of funds to place in non-managed cash reserve accounts.

Barnett's guiding principle is that any advice it provides to the client must be in the client's best interest, and must disregard any impact of the decision upon Barnett.

Termination

The client may terminate any new agreement without penalty by providing written notice of such cancellation to Barnett within five (5) business days of the date of signing the agreement. Following the five-day cancellation period, the first period's fee is not refundable due to the large volume of initial work undertaken by Barnett. Thereafter, either party may terminate the agreement without penalty after providing 30 days written notice to the other party (email notice will not suffice). Termination will not affect (i) the validity of any action previously taken by Barnett; (ii) liabilities or obligations of the parties from transactions initiated before termination; or (iii) Client's obligation to pay advisory fees (prorated through the date of termination). Upon termination, Adviser will have no obligation to recommend or take any action with regard to the securities, cash or other investments in the Account.

The agreement for Portfolio Management continues in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*.

Barnett believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of Barnett. In that case, the client would not receive the services provided by Barnett which are

designed, among other things, to assist the client in determining which investments are most appropriate to each client's financial condition and objectives, to pursue a disciplined approach to portfolio rebalancing and tax-loss harvesting while taking into account the tax ramifications of same, and to avoid ad hoc emotional reactions to shorter-term market events. Some of the investments used by Barnett may not be available to the client directly without the services of Barnett.

Barnett's relationship with each client is nonexclusive; in other words, Barnett provides investment supervisory services and financial planning services to multiple clients. Barnett seeks to avoid situations in which one client's interest conflicts with the interest of another. However, one circumstance which could arise is a sudden sharp downturn in the values of one or more stock asset classes, which may trigger the need to rebalance client investment portfolios. In such cases, Barnett seeks to rebalance each client's investment portfolio on a timely basis, keeping in mind that most mutual fund trades occur at the end of a trading day.

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

Item 6 is not applicable to Barnett. Barnett does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Such acceptance or management would pose a significant conflict of interest because performance-based fees may provide an incentive to favor such accounts over the accounts of clients under our other advisory programs. Barnett considers avoidance of such conflict a paramount policy in maintaining its fiduciary duty to our clients.

Item 7 – Types of Clients

Barnett offers personalized investment supervisory services to individuals, high net worth individuals, trusts, and estates. Client relationships vary in scope and length of service.

Required Minimum Client Accounts

Barnett does not require an account minimum for investment management services. However, Barnett requires a minimum quarterly fee of \$2,500. Barnett, in its sole discretion, may charge a lesser management fee, or choose to reduce or waive the quarterly minimum fee, based upon certain criteria (i.e., pre-existing financial planning client, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

Before designing investment plans for clients, Barnett evaluates the client's investments to determine whether the client's goals support the client's financial objectives. In designing investment plans for clients, Barnett relies upon the information supplied by the client and client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. Barnett designs and proposes a portfolio to help each client attain his or her financial goals.

This information becomes the basis for the strategic asset allocation plan which Barnett believes best meets the client's stated long-term personal financial goals. The strategic asset allocation provides for investments in the asset classes that Barnett believes possesses an attractive combination of return, risk, and correlation over the long term.

When Barnett invests client assets, asset allocation techniques are used which include stocks and bonds of varying characteristics and from both the United States and foreign markets. Barnett invests for the long-term and expects that not all investments in a given portfolio perform in unison with other assets in the same portfolio. We manage money for our clients' downside protection, in addition to upside gain. Barnett regularly monitors each portfolio's asset allocation and makes adjustments when appropriate. Barnett's portfolio management decisions are made considering the assets it manages and not with regards to other investments the client may hold.

Barnett may provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship. Barnett explores other investment options at the client's request. Additionally, Barnett reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives.

Barnett uses a diverse set of sources for information relating to the investments it recommends, including Morningstar, representatives from various securities firms, and internet-based resources.

Investment Strategies

The primary investment strategy used on client accounts is asset allocation based on Modern Portfolio Theory. Barnett develops a diversified investment portfolio by mixing different assets in varying proportions depending on the client's risk tolerance and other factors. The primary purpose of asset allocation is to reduce the risk in the portfolio,

while maintaining or enhancing the rate of return of the portfolio. Portfolios are globally diversified to control the risk associated with traditional markets.

Each client receives investment advice regarding his or her portfolio based upon:

- Time Horizon
- Risk Tolerance
- Expected Rate of Return
- Asset Class Preferences

The investment vehicles used to invest in the various asset classes are mutual funds. The mutual funds provide:

- Professional Management
- Diversification
- Flexibility
- Liquidity

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Other strategies may include long-term purchases and short-term purchases.

Barnett's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Barnett must have access to current/new market information. Barnett has no control over the distribution rate of market information. 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.

Barnett may recommend investing in private pooled investment vehicles (hedge funds and/or funds of funds) to appropriate accredited investment clients. Clients are informed of the risk of these investments prior to accepting Barnett's recommendation. Only after the client is willing to accept the risk inherent in owning such investments does Barnett proceed.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Barnett's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

Interest Rate Risk: The risk that investment returns are affected by changes in the level of interest rates. When interest rates increase, the prices and values of bonds decrease. When interest rates decrease, the prices and values of bonds increase.

Market Risk: The risk that investment returns are affected by changes in the overall level of the stock market. When the stock market as a whole increases or decreases, virtually all stocks are affected to some degree.

Reinvestment Rate Risk: The risk incurred when an investment's income is reinvested at a lower rate than the rate that existed at the time the original investment was made. This risk is most prevalent when interest rates fall.

Purchasing Power Risk (Inflation Risk): The risk that inflation affects the return of an investment in real dollars. In other words, the amount of goods that one dollar purchases decreases with time. Investments that have low returns, such as savings accounts, are not likely to keep up with inflation and are subject to purchasing power risk. Investments with fixed returns, such as bonds, decrease in value because their purchasing value decreases with inflation.

Business Risk: The risk associated with a particular industry or firm. These are factors that affect the industry or firm, but do not affect the whole market. They include government regulations, management competency, or local or regional economic factors.

Financial Risk: The risk associated with the mix of debt and equity used to finance a firm. The greater the financial leverage, the greater the financial risk.

Currency Risk (Exchange Rate Risk): The risk that a change in the value of a foreign currency relative to the U.S. dollar negatively affects a U.S. investor's return.

Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

In general, cash equivalents provide liquidity with minimum income, and a return of principal with no capital appreciation. Cash equivalents are, however, subject to purchasing power risk.

Fixed income investments provide current income. Usually, the longer the maturity of the security, the higher the income it generates. Also, with longer maturities, fixed income investments have greater price volatility and greater opportunity for capital gains or capital losses. Fixed income investments are subject to interest-rate risk, reinvestment rate risk, and purchasing power risk. In addition, foreign bonds would be subject to currency rate risk and junk bonds would be subject to business risk and financial risk.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Mutual fund shares are subject to the same interest-rate, inflation, and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

Equity investments are subject to greater volatility, thus providing a greater opportunity for capital gains and for capital losses. Equity investments offer little or no current income. Equity investments are subject to market risk and interest-rate risk, while providing an opportunity to protect against purchasing power risk. Also, stock mutual funds, rather than individual equities, may limit the exposure to business risk and financial risk.

Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity, and price volatility. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Different types of investments involve varying degrees of risk, and the client should not assume that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended by Barnett) will be profitable or equal to any specific performance level(s).

Item 9 – Disciplinary Information

Barnett has no reportable legal or disciplinary events.

Item 10 – Other Financial Industry Activities and Affiliations

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

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

Barnett engages with Gurtin Municipal Bond Management to manage municipal bond portfolios for certain of our clients.

Barnett utilizes outside service providers to perform administrative and other support functions, including direct client contact and access to confidential client information. Barnett has agreements that include confidentiality provisions, or has separate confidentiality agreements with these providers.

Item 11 – Code of Ethics

Barnett has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumormongering, restrictions on the acceptance of significant gifts, and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Barnett must acknowledge the terms of the Code of Ethics annually, or as amended.

Barnett anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it may cause accounts over which Barnett has management authority to effect, and may recommend to investment supervisory clients or prospective clients, the purchase or sale of securities in which Barnett, its affiliates, and/or clients, directly or indirectly, have a position of interest. Barnett's employees and persons associated with Barnett are required to follow Barnett's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors, and employees of Barnett and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Barnett's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of the employees of Barnett do not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Barnett's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Barnett and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Barnett's obligation of best execution. In such circumstances, the affiliated and client accounts share commission costs equally and receive securities at a total average price. Barnett retains records of the trade order (specifying each participating account) and its allocation, which are completed prior to the entry of the aggregated order. Completed orders are allocated as specified in the initial trade order. Partially filled orders are allocated on a pro rata basis. Any exceptions are explained on the Order.

January 1, 2018

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FOR BARNETT FINANCIAL, INC.

Barnett's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Christopher Lion at (512) 454-5459 or christopher@barnettfinancial.com.

Item 12 – Brokerage Practices

Barnett generally recommends Charles Schwab and Co., Inc. (Schwab) as custodian for its clients. Prior to engaging Barnett to provide investment management services, the client is required to enter into a formal *Investment Advisory Agreement* with Barnett setting forth the terms and conditions under which Barnett shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Barnett considers in recommending Schwab include historical relationship with Barnett, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Barnett's clients shall comply with Barnett'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. If this occurs, it is because Barnett determines, in good faith, that the commission/transaction fee 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 broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Barnett seeks competitive rates, it may not necessarily obtain the lowest possible commission or transaction 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, Barnett's investment management fee. Barnett'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.

Barnett employees may attend business conferences and/or due diligence meetings conducted by investment managers or third-party partners used by the firm. On occasion, Barnett may accept travel expenses and/or reimbursement from investment firms such as mutual funds. Employees attend these conferences/meetings solely for educational purposes.

Research and Additional Benefits

Barnett may receive from Schwab or other broker-dealer/custodian without cost (and/or at a discount) support services and/or products, certain of which assist Barnett to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Barnett 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 Barnett in furtherance of its investment supervisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Barnett in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Barnett to manage and further develop its business enterprise.

Barnett'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 Barnett to Schwab or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products, or to recommend that a client utilize the services of Schwab as result of the above arrangement.

Aggregation of Client Trades

To the extent that Barnett provides investment management services to its clients, the transactions for each client account generally are effected independently, unless Barnett decides to purchase or sell the same securities for several clients at approximately the same time. Barnett 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 Barnett'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 are averaged as to price and allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Barnett shall not receive any additional compensation or remuneration as a result of such aggregation.

Barnett's employees are not registered representatives of Schwab or any other custodian/broker-dealer and do not receive any commissions or fees from recommending these services.

Directed Brokerage

Some clients may instruct Barnett to use one or more particular brokers for the transactions in their accounts. Clients who want to direct Barnett to use a particular broker should understand that this prevents Barnett from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent Barnett from obtaining the most favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses and execution, clearance, and settlement capabilities that they obtain through their broker are adequately favorable in comparison to those that Barnett would otherwise obtain for

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its clients. Clients are encouraged to discuss available alternatives with their advisory representative.

Item 13 – Review of Accounts

For those clients to whom Barnett provides investment management supervisory services, account reviews are conducted on an ongoing basis by Investment Advisor Representatives of the firm. All investment supervisory clients are advised that it remains their responsibility to advise Barnett in writing of any changes in their investment objectives and/or financial situation, or if they wish to impose any reasonable restrictions on Barnett's discretionary management services. All clients (in person or electronically) are encouraged to review investment objectives and account performance with Barnett on an annual basis.

Barnett may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event such as a market correction, large deposits or withdrawals from an account, substantial changes in the value of a client's portfolio, change in the client's investment objectives and client request.

Reports to Clients

The account custodian provides trade confirmation and statements to clients on at least a quarterly basis. For those clients to whom Barnett provides investment supervisory services, they generally receive performance reports for each quarter, and investment tax reports on an annual basis, unless otherwise agreed to with the client. Reports typically includes summaries of client portfolio performance, investment holdings, and account values. Additional reports are available and provided upon request.

Item 14 – Client Referrals and Other Compensation

As referenced in Item 12 above, Barnett may receive indirect economic benefits from Schwab. Barnett, without cost (and/or at a discount), may receive support services and/or products from Schwab.

Barnett periodically receives client referrals from websites where it may be listed. In no case does the client pay any additional fees to Barnett for services if the referral comes from any such listings.

Item 15 – Custody

Barnett does not have actual or constructive custody of any client assets. All assets are held at qualified custodians. However, with a client's consent, Barnett is provided with the authority to seek deduction of Barnett's fees from a client's accounts; this process generally is more efficient for both the client and the investment adviser, and there may be tax benefits for the client to this method when fees can be paid from certain tax-deferred accounts of clients. The account custodian does not verify the accuracy of Barnett's advisory fee calculation.

In addition, Barnett has possession of login credentials to accounts not held at Schwab, which is considered custody under existing regulations. Since 2017, Barnett has obtained a surprise audit by an independent accounting firm for all accounts not held at Schwab and for which they hold login credentials.

All Barnett's clients receive account statements directly from qualified custodians, such as a bank or broker-dealer that maintains those assets. The client should carefully review these account statements, and compare them to the quarterly or other reports provided by Barnett. Statements provided by Barnett may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Barnett urges all clients to compare statements in order to ensure that all account transactions, including deductions to pay advisory fees, remain proper, and to contact Christopher Lion, Chief Compliance Officer, with any questions.

Item 16 – Investment Discretion

Barnett typically receives discretionary authority from the client at the beginning of an advisory relationship to select the identity and amount of securities to be bought or sold. Prior to Barnett assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, granting Barnett full authority to buy, sell, or otherwise effect investment transactions. In addition, any investment discretion is obtained in writing through a limited power of attorney signed by the client prior. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Discretionary authority allows Barnett to perform trades in the client's account without further approval from the client. This includes decisions on the following:

- Securities purchased or sold
- The amount of securities to be purchased or sold

Once the portfolio is constructed, Barnett provides ongoing supervision and rebalancing of the portfolio as changes in market conditions and client circumstances may require.

Barnett seeks to minimize trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading low.

Clients who engage Barnett on a discretionary basis may, at any time, impose restrictions, in writing, on Barnett'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 Barnett's use of margin, etc.).

Item 17 – Voting Client Securities

Barnett does not vote proxies on behalf of advisory clients' accounts. Although, on rare occasions and only at the client's request, Barnett may offer clients advice regarding corporate actions and the exercise of proxy voting rights.

Clients receive their proxies or other solicitations directly from their broker-dealer/custodian.

Item 18 – Financial Information

Barnett does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance. Barnett accepts limited forms of discretion over clients' accounts, as described in Item 16 of this Brochure. Barnett is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Barnett has never been the subject of a bankruptcy proceeding.

Brochure Supplement

Laura Barnett Lion, CFP® was born in 1969. She earned a B.S. in Economics from Texas A&M University. Ms. Lion became the President of Barnett Financial, Inc., in February 1999.

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planners (CFP®) are licensed by the CFP Board to use the CFP® mark. The following are the CFP® certification requirements as of 5/9/2011 and may not be the qualifications in place when the credential was obtained:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board (www.cfp.net).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

Item 3 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Laura Barnett Lion has no information applicable to this item.

Item 4 – Other Business Activities

Laura Barnett Lion has no information applicable to this item.

Item 5 – Additional Compensation

Laura Barnett Lion has no information applicable to this item.

Item 6 – Supervision

Christopher Lion is the Chief Compliance Officer of Barnett Financial, Inc. He is responsible for developing, overseeing and enforcing the firm's compliance programs that have been established to monitor and supervise the activities and services provided by the firm and its representatives. He can be reached at 512-454-5459 or christopher@barnettfinancial.com.

Bradley S. Phillips, JD, CFP® was born in 1986. He earned Doctorate of Jurisprudence a Master of Science in Personal Financial Planning, and a B.A. in English from Texas Tech University. Mr. Phillips joined Barnett Financial, Inc. in 2016. Prior to that time he had the following work experience:

Flieller, Kruger, Skelton & Plyler, PLLC, Associate, 2015-2016

House Chair Members Tan Parker and Ron Simmons, Legislative Director and Counsel for the Republican Caucus, 2015

Vacek Kiecke & Currier, Associate Attorney, 2014

PriceWaterhouse Coopers, Associate, 2013-2014

Robertson, Griege, & Thoele, Attorney & Financial Planner, 2012-2013

TTU Low Income Tax Clinic, Tax Attorney, 2011-2012

USAA, Intern, Wealth Management, 2011

Professional Certifications

Employees have earned certifications and credentials that are required to be explained in further detail.

Certified Financial Planners (CFP®) are licensed by the CFP Board to use the CFP® mark. The following are the CFP® certification requirements as of 5/9/2011 and may not be the qualifications in place when the credential was obtained:

- Bachelor's degree from an accredited college or university.
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- Successful completion of the 10-hour CFP® Certification Exam.

- Three-year qualifying full-time work experience.
- Successfully pass the Candidate Fitness Standards and background check.

Item 3 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. Bradley S. Phillips has no information applicable to this item.

Item 4 – Other Business Activities

Bradley S. Phillips has no information applicable to this item.

Item 5 – Additional Compensation

Bradley S. Phillips has no information applicable to this item.

Item 6 – Supervision

Christopher Lion is the Chief Compliance Officer of Barnett Financial, Inc. He is responsible for developing, overseeing and enforcing the firm's compliance programs that have been established to monitor and supervise the activities and services provided by the firm and its representatives. He can be reached at 512-454-5459 or christopher@barnettfinancial.com.