

**Item 1: Cover Page**



Registered as PAX Financial Group, LLC | CRD No. 284164  
Doing Business As: PAX Financial Group

**Appendix 1 of Part 2A**  
**Wrap Fee Program Brochure**

February 12, 2021

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This wrap fee program brochure provides information about the qualifications and business practices of PAX Financial Group. If you have any questions about the contents of this brochure, please contact us at 210-881-5700. 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. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

Additional information about PAX Financial Group also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary. There have been no material changes made to the PAX Financial Group disclosure statement since the last update issued on March 26, 2020.

You can request a free brochure by calling us at 210-881-5700. You can also find out more about us and receive our current brochure from the SEC's website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents.....	3
Item 4: Services, Fees and Compensation.....	4
A. Firm Description.....	4
B. Disclosure of Cost Difference if Services Purchased Separately.....	8
C. Additional Client Fees and Terms of Payment.....	8
D. Compensation for Recommending the PAX Wrap Fee Program.....	9
E. External Compensation for the Sale of Securities to Clients.....	9
F. Important Disclosure – Custodian Investment Programs.....	9
G. Client Assets Under Management.....	10
Item 5: Account Requirements and Types of Clients.....	11
Item 6: Portfolio Manager Selection and Evaluation.....	12
A. Portfolio Manager Selection and Review.....	12
B. Participation in Wrap Fee Programs.....	12
C. The Firm Acts as Both a Wrap Fee Sponsor and Portfolio Manager.....	12
Item 7: Client Information Provided to Portfolio Managers.....	24
Item 8: Client Contact with Portfolio Managers.....	25
Item 9: Additional Information.....	26
A. Disciplinary and Other Financial Activities and Affiliations.....	26
B. Code of Ethics, Brokerage Trading Practices, Account Reviews, and Financial and Related Matters.....	27
Item 10: Requirements for State-Registered Advisors.....	36
A. Material Relationships Maintained by this Advisory Business or Management Persons with Issuers of Securities.....	36

## Item 4: Services, Fees and Compensation

### A. Firm Description

PAX Financial Group, LLC, dba PAX Financial Group ("PAX" and/or the "firm") is a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC") offering portfolio management services and retirement plan consulting services for individuals and high net worth individuals (together with their trusts and estates) and small businesses, corporations and their pension and profit sharing plans (each referred to as a "Client"). PAX has been in business since 2007 and was originally founded by Darryl Lyons, Joseph Schuetze, and Andres Gutierrez.

PAX is organized as a Texas Limited Liability Company ("LLC"), with principal owners Darryl Lyons and Joseph Schuetze owning approximately 80% of the partnership interests. The remaining owners primarily include current investment adviser representatives, agents, and employees of PAX.

PAX is also an insurance agency licensed with the Texas Department of Insurance. Our insurance group operates under the name PAX Financial Group Insurance Services, a registered DBA. Our investment adviser representatives (or IARs) may also be registered as insurance agents.

#### A.1. Advisory Services

PAX provides discretionary and non-discretionary fee-based investment management services for compensation.

PAX's investment management services are predicated on the Client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. PAX will analyze each Client's current investments, investment objectives, goals, age, time horizon, financial circumstances, investment experience, investment restrictions and limitations, and risk tolerance and implement a portfolio consistent with such investment objectives, goals, risk tolerance and related financial circumstances. In addition, PAX may utilize third-party software to analyze individual security holdings and separate account managers utilized within the Client's portfolio.

For discretionary investment management, PAX receives a limited power of attorney to effect securities transactions on behalf of its Clients that include securities and strategies described in Item 8 of this brochure.

PAX's engagement with a Client will include, as appropriate, the following:

- Providing assistance in reviewing the Client's current investment portfolio against the Client's personal and financial circumstances as disclosed to PAX in response to a questionnaire and/or in discussions with the Client and reviewed in meetings with PAX.
- Analyzing the Client's financial circumstances, investment holdings and strategy, and goals.
- Providing assistance in identifying a targeted asset allocation and portfolio design.
- Implementing and/or recommending individual equity and fixed income securities, mutual funds and ETFs.

- Reporting to the Client on a quarterly basis or at some other interval agreed upon with the Client, information on contributions and withdrawals in the Client's investment portfolio, and the performance of the Client's portfolio measured against appropriate benchmarks (including benchmarks selected by the Client).
- Proposing changes in the Client's investment portfolio in consideration of changes in the Client's personal circumstances, investment objectives and tolerance for risk, the performance record of any of the Client's investments, and/or the performance of any fund retained by the Client.
- If the Client's portfolio and personal circumstances, investment objectives, and tolerance for risk make such advice appropriate, providing recommendations to hedge a Client's portfolio through the use of derivative strategies, to generate additional income through the use of covered call option writing strategies involving exchange listed or OTC options, and/or to monetize or hedge concentrated stock positions.

Clients have the right to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and should promptly notify the firm in writing of any changes in such restrictions or in the Client's personal financial circumstances, investment objectives, goals and tolerance for risk. PAX will remind Clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the Client's account. PAX will also contact Clients at least annually to determine whether there have been any changes in a Client's personal financial circumstances, investment objectives and tolerance for risk.

## **B.2. Third-Party Separate Account Management**

PAX may recommend that all or a portion of Client assets in an account be managed by third-party manager(s). For such arrangements, the Client will grant Pax written authorization to use discretion in selecting or changing a strategy within a third-party manager relationship or changing the third-party manager entirely without prior notice. In most cases, the Client pays the third-party manager an investment management fee out of account assets directly that is separate from Pax's fee.

### **B.2.a. Sub-Adviser Investment Management**

For certain Client assets, PAX makes available the investment management services of approved third-party sub-advisers. Each sub-adviser is granted discretionary investment authority over assets that PAX assigns to the sub-adviser in accordance with the specific strategy or model that is selected for management.

Any authority of the sub-adviser only applies to the specific assets within the Client's custodial account for which sub-adviser has been appointed as the discretionary manager. Each sub-adviser shall not have any Client facing responsibilities and will rely on instructions PAX provides on behalf of such Client. The sub-advisor will not provide investment advice or have any advisory responsibility to the Client beyond the assets for which it is appointed as sub-adviser. The terms of services provided by each sub-adviser are directed in accordance with a separate written agreement entered into between PAX and the sub-adviser.

PAX has a financial incentive to refer Clients to approved sub-advisers rather than managing the assets on its own or referring them to another third-party manager, creating a conflict of interest. When PAX refers Clients to approved sub-advisers, it receives various incentives which benefit PAX but not all PAX Clients, which may include some or all of the following:

- Certain technology implementation fees incurred by PAX in connection with PAX's use of the sub-adviser's technology solutions will be reduced or waived entirely if a predetermined number of PAX Client subscribe to PAX's guidance services which utilize such technology solutions.
- Certain technology implementation fees incurred by PAX in connection with PAX's use of the sub-adviser's technology solutions will be reduced if a predetermined number of PAX's Client's assets are placed in investment models or in mutual funds or exchange-traded funds available through such sub-adviser or one of its affiliates.

*Goldman Sachs Personal Financial Management Service Offering:* In an effort to enhance the quality and breadth of services that PAX provides to its Clients, PAX utilizes a suite of digitally powered technology solutions offered by GSPFM, a division of Goldman Sachs ("GSPFM"). GSPFM provide access to its technology platform to PAX which includes use of certain technology platforms, training relating to use of such technology platform, and if elected by PAX certain clerical document and data compilation services.

GSPFM is not in any way involved in, or responsible for, the individual investment management or guidance provided to Clients. PAX pays GSPFM a flat fee for its technology implementation services and fees calculated per percentage-basis formula in accordance with the volume of Clients for whom PAX utilizes such services and/or products. As such, for certain services offered, Clients indirectly contribute to the payment of cost of services paid to GSPFM. Relating to the cost for services, PAX is financially incentivized to refer Clients to GSPFM portfolios in order to reduce its costs of utilizing its platform, creating a conflict of interest. Financial incentives are described herein.

When PAX refers Clients to approved GSPFM, it receives various incentives which benefit PAX but not all PAX Clients, which may include some or all of the following:

- Certain technology implementation fees incurred by PAX in connection with PAX's use of GSPFM's technology solutions will be reduced or waived entirely if a predetermined number of PAX Client subscribe to PAX's guidance services which utilize such technology solutions.
- Certain technology implementation fees incurred by PAX in connection with PAX's use of GSPFM's technology solutions will be reduced if a predetermined number of PAX's Client's assets are placed in investment models or in mutual funds or exchange-traded funds available through GSPFM or one of its affiliates.
- Clients are advised that if PAX does not meet a predetermined threshold of production utilizing services or technology solutions offered by GSPFM, as applicable, GSPFM may terminate its sub-advisory relationship with PAX. To address this conflict, if the Client does not want to invest their assets with GSPFM as the Sub-Manager or receive PAX financial guidance services that require access to the GSPFM platform, the Client may discuss alternative options with PAX.

- If PAX invests \$15,000,000 or more in Goldman Sachs Asset Management managed US registered 1940 Act mutual funds ("GSAM Mutual Funds"), PAX will receive a quarterly credit equal to \$6,250 for every \$15,000,000 of assets invested in GSAM Mutual Funds on the date of the applicable invoice. The total credit may not exceed the total quarterly invoiced amount for the CX Use Fee as specified on the fee schedule. GSPFM will measure eligibility for and apply the credit, if any, on a quarterly basis against the annual fees due and owing. GSPFM reserves the right to terminate the credit program at any time. As a result of this arrangement, PAX has an economic incentive to recommend GSAM Mutual Funds.

## A.2. Fees and Compensation

### A.2.a. Fee Schedule

The schedule below reflects the maximum fees charged to PAX-advised Clients. The specific annualized fee charged is set forth by the Client and Pax respectively. Please refer to Appendix 1 of Part 2A: PAX Financial Group Wrap Fee Program Brochure for detailed information on PAX's wrap fee program.

Amount	Fee
\$0 - \$199,999	1.50%
\$200,000 - \$499,999	1.25%
\$500,000 - \$999,999	1.00%
\$1,000,000 - \$1,999,999	0.90%
\$2,000,000 - \$2,999,999	0.80%
\$3,000,000 - \$3,999,999	0.70%
\$4,000,000 - \$4,999,999	0.60%
\$5,000,000 +	0.50%

The advisory fee is an annual percentage based on the value of all assets in the account. Fees are billed in advance calculated on the last day of each calendar quarter. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter. The advisory fee shall be prorated with respect to any contributions to or withdrawals from the account. Eligible accounts may be aggregated by household to determine the lowest possible fee if all accounts are managed as one relationship.

Accounts are billed on the gross equity of the account and not on net equity. As a result, the firm may be incentivized to recommend the use of leverage to enhance the gross value of the portfolio for fee purposes.

If Client participates in Third-Party Separate Account Management services, the Client pays the third-party manager an investment management fee out of account assets directly which is separate and in addition to PAX's fee. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month. Reference the Third-Party Separate Account Manager ADV for more information.

The trading cost component of the above-mentioned advisory fees is estimated to range from \$250 to \$500 per account per year.

These fees include charges for all transaction costs such as commissions on purchase and sales of stocks, bonds, exchange-traded funds and options, and mutual fund transactions fees. Except as otherwise provided below, client will incur no charges other than the adviser's fee pursuant to the above fee schedule in connection with the maintenance of and activity in client's account. The wrap fee does not include annual account fees or other administrative fees, such as wire fees, charged by manager or brokerage firm; fees for securities transactions executed away from the custodian; certain odd-lot differentials, transfer taxes, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regard to transactions in the client's account; and advisory fees, expenses or sales charges (loads) of mutual funds (including money market funds), closed-end investment companies or other managed investments, if any, held in client's account. The wrap fee also does not cover certain costs associated with securities transactions in the over-the-counter market, such as fixed income securities where manager must approach a dealer or market maker to purchase or sell a security. Such costs include the dealer's mark-up, mark-down or spread and odd-lot differentials or transfer taxes imposed by law.

## **B. Disclosure of Cost Difference if Services Purchased Separately**

Depending on a number of factors, such as the number, size and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time could be more or less than what these fees and charges would be if the same services were provided on a separate basis. Bundled fees generally provide an economic incentive for the advisory firm to select investments and strategies that minimize trading costs. Frequent trading in an account where transaction fees are included as part of the overall advisory fee to the client drive trading costs higher and reduce the overall fee revenue to the advisor. As a result, higher trading costs in a bundled fee account have a negative impact on the advisory firm's profitability.

## **C. Additional Client Fees and Terms of Payment**

### **C.1. Client Payment of Fees**

PAX generally requires fees to be prepaid on a quarterly basis. PAX requires Clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for Clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

PAX will deduct advisory fees directly from the Client's account provided that (i) the Client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the Client a statement, at least quarterly, indicating all amounts disbursed from the account. The



Client is responsible for verifying the accuracy of the fee calculation, as the Client's custodian will not verify the calculation.

A Client investment advisory agreement may be canceled at any time by the Client, or by PAX with 30 days' prior written notice to the Client. Upon termination, any unearned, prepaid fees will be promptly refunded.

## **C.2. Additional Fees**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by Clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the Client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a Client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A Client using PAX may be precluded from using certain mutual funds or separate account managers because they may not be offered by the Client's custodian.

Please refer to the Brokerage Practices section (Items 9.B.2 and 9.B.3) for additional information regarding the firm's brokerage practices.

## **D. Compensation for Recommending the PAX Wrap Fee Program**

The PAX Wrap Fee Program is a proprietary product offered exclusively through PAX. As such, there are no conflicts of interest in that there are no commissions paid for selling the PAX Wrap Fee Program.

## **E. External Compensation for the Sale of Securities to Clients**

The firm's advisory professionals are compensated solely through a salary and bonus structure. The firm is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.

## **F. Important Disclosure – Custodian Investment Programs**

Please be advised that the firm utilizes certain custodians/broker-dealers. Under these arrangements we can access certain investment programs offered through such custodian(s) that offer certain compensation and fee structures that create conflicts of interest of which clients need to be aware. Please note the following:

***Limitation on Mutual Fund Universe for Custodian Investment Programs:*** There are certain programs in which we participate where a client's investment options may be limited in certain of these programs to those mutual funds and/or mutual fund share classes that pay 12b-1 fees and other revenue sharing fee payments, and the client should be aware that the firm is not

selecting from among all mutual funds available in the marketplace when recommending mutual funds to the client.

***Conflict Between Revenue Share Class (12b-1) and Non-Revenue Share Class Mutual Funds:***

Revenue share class/12b-1 fees are deducted from the net asset value of the mutual fund and generally, all things being equal, cause the fund to earn lower rates of return than those mutual funds that do not pay revenue sharing fees. The client is under no obligation to utilize such programs or mutual funds. Although many factors will influence the type of fund to be used, the client should discuss with their investment adviser representative whether a share class from a comparable mutual fund with a more favorable return to investors is available that does not include the payment of any 12b-1 or revenue sharing fees given the client's individual needs and priorities and anticipated transaction costs. In addition, the receipt of such fees can create conflicts of interest in instances where the custodian receives the entirety of the 12b-1 and/or revenue sharing fees and takes the receipt of such fees into consideration in terms of benefits it may elect to provide to the firm, even though such benefits may or may not benefit some or all of the firm clients.

***Additional Disclosure Concerning Wrap Programs:*** To the extent that we either sponsor or recommend wrap fee programs, please be advised that certain wrap fee programs may (i) allow our investment adviser representatives to select mutual fund classes that either have no transaction fee costs associated with them but include embedded 12b-1 fees that lower the investor's return ("sometimes referred to as "A-Shares," depending on the mutual fund issuer), or (ii) allow the use of mutual fund classes that have transaction fees associated with them but do not carry embedded 12b-1 fees (sometimes referred to as "I-Shares," depending on the mutual fund sponsor). Wrap fee programs offer investment services and related transaction services for one all-inclusive fee (except as may be described in the applicable wrap fee program brochure). The trading costs are typically absorbed by the firm and/or the investment representative. If a client's account holds A-Shares within a wrap fee program, the firm and/or its investment adviser representative avoids paying the transaction fees charged by other mutual fund classes, which in effect decreases the firm's costs and increases its revenues from the account. Effectively, the cost is transferred to the client from the firm in the form of a lower rate of return on the specific mutual fund. This creates an incentive for the firm or investment adviser representative to utilize such funds as opposed to those funds that may be equally appropriate for a client but do not carry the additional cost of 12b-1 fees. As a policy matter, the firm does not allow funds that impose 12b-1 or revenue sharing fees on the client's investment within its wrap fee programs. Clients should understand and discuss with their investment adviser representative the types of mutual fund share classes available in the wrap fee program and the basis for using one share class over another in accordance with their individual circumstances and priorities.

## **G. Client Assets Under Management**

As of December 31, 2020, the firm has \$444,511,926 of discretionary assets and \$0 non-discretionary assets under management.

## **Item 5: Account Requirements and Types of Clients**

PAX generally provides advice to individuals and high net worth individuals (together with their trusts and estates) and small businesses, corporations and their pension and profit sharing plans. However, the services offered by PAX are also available to, among others, banks, thrift institutions, charitable organizations, state and municipal government entities as such opportunities may arise.

PAX does not require a minimum account value to open an account. Third Party Managers may have account minimums. Please review the third-party manager's ADV for further details regarding such account minimums.

## **Item 6: Portfolio Manager Selection and Evaluation**

### **A. Portfolio Manager Selection and Review**

The firm is the sole sponsor and sole portfolio manager for the PAX Wrap Fee Program.

### **B. Participation in Wrap Fee Programs**

Other than offering its PAX Wrap Fee Program, the firm does not participate in wrap fee programs.

### **C. The Firm Acts as Both a Wrap Fee Sponsor and Portfolio Manager**

The PAX Wrap Fee Program is a proprietary product offered exclusively through the firm. Other than offering its PAX Wrap Fee Program, the firm does not participate in wrap fee programs.

#### **C.1. PAX Wrap Fee Program**

PAX offers its investment management services under a wrap fee program sponsored by the firm.

#### **C.2. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

#### **C.3. Management of Wrap Fee Program**

The PAX Wrap Fee Program is the only asset management program offered by the firm.

#### **C.4. Performance-Based Fees and Side-by-Side Management**

The firm does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in the clients' best interests.

#### **C.5. Methods of Analysis, Investment Strategies and Risk of Loss**

##### **C.5.a. Investment Strategy**

PAX's investment philosophy is based on traditional scholastic research, such as Efficient Market Hypothesis (EMH) and Modern Portfolio Theory (MPT). EMH suggests it is impossible to "beat the market," because stock market efficiency causes existing share prices to always incorporate and reflect all relevant information. MPT is a theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. MPT suggests that an investment's risk and return characteristics should not be viewed alone but should be evaluated

by how the investment affects the overall portfolio's risk and return. By investing in more than one asset class, an investor may be able to reap the benefits of diversification. PAX constructs highly diversified portfolios that incorporate a range of asset classes and market sectors utilizing market based and manager-based investments. PAX implements this philosophy by holding investments for long periods of time as deemed appropriate, periodically reallocating investments as conditions warrant and methodically rebalancing as needed.

#### **C.5.b. Investment Selection**

PAX employs a team approach to manage Client assets. We have an Investment Committee ("IC") with members who have varying investment backgrounds, experiences, and skill sets. The IC constructs multiple models to satisfy multiple investment objectives leveraging tools such as third-party investment analytics tools, third-party investment management resources, IC research and public resources. Investments are selected from a funds list provided by a third-party analytics tool and third-party investment management teams, and further evaluated by the IC based on applicable fees, fund track records and past performance (as applicable) in addition to a variety of statistical data which include beta, standard deviation, R-squared and Sharpe Ratio. Our IC systematically and methodically invests new assets regularly and will determine the rebalancing schedule.

A Client's portfolio may include, but not be limited to, equities (stocks) – domestic and foreign, exchange traded funds (ETFs), mutual funds, and fixed income (bonds –government or corporate/domestic or foreign).

Each market may function and change in different ways depending on supply and demand, current events and investor behaviors. These changes may also affect a Client's tax situation and filings. While our goal is to help increase a Client's net worth, investing in securities involves risk of loss that Client should be prepared to bear.

Employees of PAX do not provide tax or legal advice.

#### **C.5.c. Methods of Analysis**

PAX uses a variety of sources of data to conduct its economic, investment and market analysis, which may include economic and market research materials prepared by others, conference calls hosted by individual companies or mutual funds, corporate rating services, annual reports, prospectuses, and company press releases, and financial newspapers and magazines. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that Clients should be prepared to bear.

PAX and its investment committee are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to Clients. The methods of analysis may include quantitative methods for optimizing Client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular risk tolerance classification.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, PAX reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. PAX may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to Clients.

The Client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Once a portfolio has been selected, we regularly review the portfolio and when appropriate, rebalance the portfolio.

Accounts are rebalanced, or assets reallocated based on market conditions, investment committee recommendations, or other conditions as warranted. Securities we buy or sell for accounts are subject to our discretionary authority. Any changes in the asset allocation models, which includes adding, removing or replacing securities (i.e., mutual funds, ETFs, etc.) are made at the recommendation of the Investment Committee. Those changes are based on a variety of factors, which include but are not limited to changes in the economic, financial or political climate; changes in the tax code; changes in the management of the securities used by the asset allocation models or changes in the degree of desired diversification/concentration in certain sectors or investment themes. Changes may also be made based on the Client's personal circumstances, including changes to marital status, funding needs or investment objectives.

There are different types of investments that involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal any specific performance level(s). Past performance is not indicative of future results.

#### **C.5.d. Mutual Funds and ETFs, Individual Securities, and Third-Party Separate Account Managers**

PAX may recommend "institutional share class" mutual funds, exchange-traded funds, and individual securities (including fixed income instruments). PAX may also assist the Client in selecting one or more appropriate manager(s) for all or a portion of the Client's portfolio. Such managers will typically manage assets for Clients who commit to the manager a minimum

amount of assets established by that manager—a factor that PAX will take into account when recommending managers to Clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

PAX has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform or distribute research of individual securities
- perform billing and certain other administrative tasks

PAX may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to Clients as appropriate under the circumstances.

PAX reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its Clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in selecting/recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by PAX on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by PAX (both of which are negative factors in implementing an asset allocation structure).

PAX may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for Clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that Clients will receive any reduced account minimum balances or fees, or that all Clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other Clients. Also, account minimum balances and fees may significantly differ between Clients. Each Client's individual needs and circumstances will determine portfolio weighting, which can have an

impact on fees given the funds or managers utilized. PAX will endeavor to obtain equal treatment for its Clients with funds or managers, but cannot assure equal treatment.

PAX will regularly review the activities of mutual funds and managers utilized for the Client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

## **C.6. Investment Strategy, Method of Analysis, Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **C.6.a. Margin Leverage**

Although the firm, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, the firm will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **C.6.b. Short-Term Trading**

Although the firm, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:



There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

#### **C.6.c. Short Selling**

The firm generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

#### **C.6.d. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

#### **C.5.e. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

PAX as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases

##### **C.6.d.1. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the Client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is

necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### ***C.6.d.2. Long Call Option Purchases***

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### ***C.6.d.3. Long Put Option Purchases***

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### ***C.6.f. Concentration Risk***

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

PAX does not assume market risk on behalf of the Client. PAX does not guarantee the performance of the Client account or any specific level of performance. Past performance is not indicative of a guaranteed future result. Most values of the securities within the account will fluctuate with market conditions. When the account is liquidated, it may be worth more or less than the original amount invested.

PAX will accept and follow all liquidation instructions given by Client and will seek to execute Client' orders in a timely manner on a best-efforts basis. Occasionally, due to market conditions, liquidity and time constraints imposed by custodians or their respective asset, trades may be executed the following business day, with most liquidations occurring within 10 business days. In handling liquidation requests and purchases, we will execute transactions without regard to pending dividend or capital gains distributions, stock splits, mergers, or other corporate or financial events. The liquidations and reinvestment process will likely result in tax consequences, Clients are advised to consult with their tax professional before depositing and liquidating cash and/or securities.

Contributed cash or cash equivalents in Client accounts may remain un-invested in securities for a period of time. PAX invests liquid assets methodically and believes it is to each Client's benefit to invest in an aggregated fashion rather than intermittently. For this reason, a period of time

may elapse between the deposit of cash, or liquid assets, to the account and the account reaching a fully invested position.

### **C.7. Material Risks of Investment Instruments**

PAX may invest in open-end mutual funds and exchange-traded funds for the vast majority of its Clients. In addition, for certain Clients, PAX may effect transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Municipal securities
- Corporate debt obligations
- Fixed equity annuities
- Fixed equity indexed annuities
- Real Estate Investment Trusts ("REITs")

#### **C.7.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **C.7.b. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **C.7.c. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. ETFs have embedded expenses that the Client indirectly bears.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **C.7.d. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **C.7.e. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **C.7.f. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **C.7.g. Fixed Equity Annuities**

A fixed annuity is a contract between an insurance company and a customer, typically called the annuitant. The contract obligates the company to make a series of fixed annuity payments

to the annuitant for the duration of the contract. The annuitant surrenders a lump sum of cash in exchange for monthly payments that are guaranteed by the insurance company. Please note the following risks: (i) *Spending power risk*. Social Security retirement benefits have cost-of-living adjustments. Most fixed annuities do not. Consequently, the spending power provided by the monthly payment may decline significantly over the life of the annuity contract because of inflation, (ii) *Death and survivorship risk*. In a conventional fixed annuity, once the annuitant has turned over a lump sum premium to the insurance company, it will not be returned. The annuitant could die after receiving only a few monthly payments, but the insurance company may not be obligated to give the annuitant's estate any of the money back. A related risk is based on the financial consequences for a surviving spouse. In a standard single-life annuity contract, a survivor receives nothing after the annuitant dies. That may put a severe dent in a spouse's retirement income. To counteract this risk, consider a joint life annuity. (iii) *Company failure risk*. Private annuity contracts are not guaranteed by the FDIC, SIPC, or any other federal agency. If the insurance company that issues an annuity contract fails, no one in the federal government is obligated to protect the annuitant from financial loss. Most states have guaranty associations that provide a level of protection to citizens in that state if an insurance company also doing business in that state fails. A typical limit of state protection, if it applies at all, is \$100,000. To control this risk, contact the state insurance commissioner to confirm that your state has a guaranty association and to learn the guarantee limits applicable to a fixed annuity contract. Based on that information, consider dividing fixed annuity contracts among multiple insurance companies to obtain the maximum possible protection. Also check the financial stability and credit ratings of the annuity insurance companies being considered. A.M. Best and Standard & Poor's publish ratings information.

#### **C.7.h. Fixed Equity Indexed Annuities**

An equity-indexed annuity is a type of fixed annuity that is distinguished by the interest yield return being partially based on an equities index, typically the S&P 500. The returns (in the form of interest credited to the contract) can consist of a guaranteed minimum interest rate and an interest rate linked to a market index. The guaranteed minimum interest rate usually ranges from 1 to 3 percent on at least 87.5 percent of the premium paid. As long as the company offering the annuity is fiscally sound enough to meet its obligations, you will be guaranteed to receive this return no matter how the market performs. Your index-linked returns will depend on how the index performs but, generally speaking, an investor with an indexed annuity will not see his or her rate of return fully match the positive rate of return of the index to which the annuity is linked — and could be significantly less. One major reason for this is that returns are subject to contractual limitations in the form of caps and participation rates. Participation rates are the percentage of an index's returns that are credited to the annuity. For instance, if your annuity has a participation rate of 75 percent, then your index-linked returns would only amount to 75 percent of the gains associated with the index. Interest caps, meanwhile, essentially mean that during big bull markets, investors won't see their returns go sky-high. For instance, if an index rises 12 percent, but an investor's annuity has a cap of 7 percent, his or her returns will be limited to 7 percent.

Some indexed annuity contracts allow the issuer to change these fees, participation rates and caps from time to time. Investors should also be aware that trying to withdraw the principal amount from a fixed indexed annuity during a certain period — usually within the first 9 or 10 years after the annuity was purchased — can result in fees known as surrender charges, and could also trigger tax penalties. In fact, under some contracts if withdrawals are taken amounts already credited will be forfeited. After paying surrender charges an investor could lose money by surrendering their indexed annuity too soon.

#### **C.7.i. Real Estate Investment Trusts (“REITs”)**

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations, which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers that are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the Securities and Exchange Commission (SEC) but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or, (i) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships that do not explicitly state their future investments prior to beginning their capital-raising phase. During this period of capital-raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor; however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

With respect to publicly traded REITs, publicly traded REITs may be subject to additional risks and price fluctuations in the public market due to investors' expectations of the individual REIT, the real estate market generally, specific sectors, the current yield on such REIT, and the current liquidity available in public market. Although publicly traded REITs offer investors liquidity, there can be constraints based upon current supply and demand. An investor when liquidating may receive less than the intrinsic value of the REIT.

### **C.8. Proxy Voting**

The firm does not take discretion with respect to voting proxies on behalf of its clients. The firm will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of the firm supervised and/or managed assets. In no event will the firm take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, the firm will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. The firm has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. The firm 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, the firm 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 the firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 7: Client Information Provided to Portfolio Managers**

The firm is the sole portfolio manager in the PAX Wrap Fee Program and does not share any personal information it collects from its clients other than as required by law or regulatory mandate. The firm may collect the following information in order to formulate its investment recommendations to clients:

- Income
- Employment and residential information
- Social security number
- Cash balance
- Security balances
- Transaction detail history
- Investment objectives, goals, and risk tolerance
- Sources of wealth and/or deposits
- Risk assessment
- Investment time horizon
- Income and liquidity needs
- Asset allocation
- Restrictions on management of accounts
- Client interview(s)
- Review of client's current portfolio
- Analysis of historical risk/return characteristics of various asset classes
- Analysis of the long-term outlook for global financial markets
- Analysis of the long-term global economic and political environments



## **Item 8: Client Contact with Portfolio Managers**

The firm encourages communication with its clients and does not limit or condition the amount of time clients can spend with the firm's advisory professionals.

## Item 9: Additional Information

### A. Disciplinary and Other Financial Activities and Affiliations

#### A.1. Disciplinary

##### A.1.a. Criminal or Civil Actions

There is nothing to report for this item.

##### A.1.b. Administrative Enforcement Proceedings

There is nothing to report for this item.

##### A.1.c. Self-Regulatory Organization Enforcement Proceedings

There is nothing to report for this item.

#### A.2. Other Financial Activities and Affiliations

##### A.2.a. Broker-Dealer or Representative Registration

Neither the firm nor its affiliates are registered broker-dealers and do not have an application to register pending.

##### A.2.b. Futures or Commodity Registration

Neither the firm nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

##### A.2.c. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

###### A.2.c.1. Insurance Sales

PAX is an insurance agency licensed with the Texas Department of Insurance. Our insurance group operates under the name PAX Financial Group Insurance Services, a registered DBA. Our investment adviser representatives ("IAR") may also be registered as insurance agents. Please see your IAR's Form ADV Part 2B – Brochure Supplement for additional information.

PAX agents make available services from Crump Life Insurance Services ("Crump") to assist Clients who wish to buy insurance products, such as life, long-term disability, fixed annuities, and long-term care insurance, the unaffiliated independent Field Marketing Organization ("FMO") specializes in insurance brokerage. PAX agents receive compensation when they refer PAX Clients to Crump and the Client purchases a product. The compensation received by PAX and its agents is a percentage of the compensation paid to Crump.

In addition, IARs may recommend commission-based insurance products to a Client. PAX's agents have a conflict of interest because there is an economic incentive to sell insurance products that result in commissions or sales revenue. Client are advised that they are under no

obligation to purchase any insurance products through PAX or the Crump Agency, products may be less expensive elsewhere. These insurance and/or investment vendors may provide sales support in various forms including but not limited to funding corporate events and/or Client education events hosted by PAX. Educational events are conducted to bring awareness to consumers regarding market trends and product education.

#### ***A.2.c.2. Book and Online Program Sales***

PAX makes available books published by third parties and sold by the Chief Executive Officer (CEO) of PAX. Books are available for sale through booksellers, with pricing averaging between \$0 - \$18. As an IA of PAX, books may be provided to organizations, individual Client or prospective Client at a discount or at no cost. PAX receives 0% of any book royalties or other revenue from the sale of any books written by the CEO.

The CEO also makes available an online retirement readiness course titled "Pivot Your Retirement," which enables consumers to obtain for a fee valuable education-only material to kick start and/or prepare for retirement. Material contains budgeting tools, personal balance sheet construction, and much more. PAX receives a portion of the fees collected for its services. The fees paid are separate and in addition to any advisory services offered through PAX.

#### ***A.2.c.3. NC Accounting Group, LLC "NCAG"***

NC Accounting Group, LLC is an affiliate of PAX Financial Group and provides bookkeeping and related accounting services to individuals, corporations and other legal entities. PAX Financial Group and one of its managing officers have a combined equity interest of 35% in NCAG. Please be advised that PAX has an economic interest in recommending NCAG's services to its clients; however, clients are under no obligation to utilize the services of NCAG and may engage any accounting firm of their choice.

#### ***A.2.d. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest***

Although PAX may recommend separate account managers, it does not receive any form of referral or solicitor compensation from the separate account manager or Client.

## **B. Code of Ethics, Brokerage Trading Practices, Account Reviews, and Financial and Related Matters**

### ***B.1. Code of Ethics Description***

In accordance with the Advisers Act, PAX has adopted policies and procedures designed to detect and prevent insider trading. In addition, PAX has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of PAX's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of PAX. PAX will send Clients a copy of its Code of Ethics upon written request.

PAX has policies and procedures in place to ensure that the interests of its Clients are given preference over those of PAX, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

**B.1.a. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

The firm does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, the firm does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

**B.1.b. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

The firm, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for Clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the Client, or
- considered for purchase or sale for the Client.

Such conflict generally refers to the practice of front-running (trading ahead of the Client), which the firm specifically prohibits. The firm has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the Client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a Client account
- prohibit employees from personally benefitting by causing a Client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated Client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a Client.

Advisory representatives and employees must follow the firm's procedures when purchasing or selling the same securities purchased or sold for the Client.

**B.1.c. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

PAX, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that

differ from those recommended or effected for other PAX Clients. PAX will make a reasonable attempt to trade securities in Client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of PAX to place the Clients' interests above those of PAX and its employees.

## **B.2. Factors Used to Select Broker-Dealers for Client Transactions**

### **B.2.a. Custodian Recommendations**

PAX participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance, and settlement of transactions. PAX receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 9.B.5 of this Brochure.)

PAX considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory Clients.

In certain instances and subject to approval by PAX, PAX will recommend to Clients certain other broker-dealers and/or custodians based on the needs of the individual Client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by PAX will be made by and in the sole discretion of the Client. The Client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the Client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### ***B.2.a.1. Soft Dollar Arrangements***

The firm does not utilize soft dollar arrangements.

### **B.2.c. Directed Brokerage**

#### ***B.2.c.1. Firm Recommendations***

The firm does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory Clients.

#### ***B.2.c.2. Client-Directed Brokerage***

Occasionally, Clients may direct PAX to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that

they will lose any possible advantage PAX derives from aggregating transactions. Such Client trades are typically effected after the trades of Clients who have not directed the use of a particular broker-dealer. PAX loses the ability to aggregate trades with other PAX advisory Clients, potentially subjecting the Client to inferior trade execution prices as well as higher commissions.

### **B.3. Aggregating Securities Transactions for Client Accounts**

#### **B.3.a. Best Execution**

PAX, pursuant to the terms of its investment advisory agreement with Clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. PAX recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. PAX will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing Client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, the firm seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of the firm's knowledge, these custodians provide high-quality execution, and the firm's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, the firm believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

**B.3.b. Security Allocation**

Since the firm may be managing accounts with similar investment objectives, the firm may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by the firm in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

The firm's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. The firm will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

The firm's advice to certain clients and entities and the action of the firm for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of the firm with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of the firm to or on behalf of other clients.

**B.3.c. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if the firm believes that a larger size block trade would lead to best overall price for the security being transacted.

**B.3.d. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

The firm acts in accordance with its duty to seek best price and execution and will not continue any arrangements if the firm determines that such arrangements are no longer in the best interest of its clients.

#### **B.4. Review of Accounts**

##### **B.4.a. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Account surveillance is conducted on an ongoing basis by PAX IARs in conjunction with the Investment Committee. IARs monitors portfolio construction, investment objectives and risk tolerance per Client, and the Investment Committee continually monitors model allocations per investment strategy. All Client are advised that it remains their responsibility to advise PAX of any changes in their investment objectives and/or financial situation. All Client (in person, video conference, via email or via telephone) are encouraged to review all financial planning recommendations (to the extent applicable), investment objectives, and account performance with their PAX IARs on an annual basis. If the Client and IAR do not meet for a considerable period of time, greater than a year, after reasonable effort is made by the IAR to do so, the Client's account will be managed based on previously discussed expectations.

Client review periods are generally recommended annually unless a triggering event occurs materially impacting a financial engagement such as, however not limited to, changes to marital status, funding needs or investment objectives and change of employment. Occasionally a review may result in a "no change" recommendation.

##### **B.4.b. Review of Client Accounts on Non-Periodic Basis**

The firm may perform ad hoc reviews on an as-needed basis if there have been material changes in the Client's investment objectives or risk tolerance, or a material change in how PAX formulates investment advice. If a Client has a change in their financial situation, after notifying PAX, we will perform a review of the Client's financial position to help ensure the recommendations remain appropriate for the Client and satisfies their needs.

##### **B.4.c. Content of Client-Provided Reports and Frequency**

The Client's independent custodian provides account statements directly to the Client no less frequently than quarterly. The custodian's statement is the official record of the Client's securities account and supersedes any statements or reports created on behalf of the Client by PAX.

#### **B.5. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

##### **B.5.a. TD Ameritrade**

As disclosed under Item 12, PAX participates in TD Ameritrade's Institutional customer program and may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between PAX's participation in the program and the investment advice it



gives to Clients, although PAX receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount):

- Receipt of duplicate Client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving PAX participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to PAX Client accounts)
- The ability to have advisory fees deducted directly from PAX Client accounts
- Access to an electronic communications network for Client order entry and account information
- Access to mutual funds with no transaction fees, and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to PAX by third-party vendors

TD Ameritrade may also have paid for business consulting and professional services received by PAX's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit PAX but may not benefit its Clients' accounts. These products or services may assist PAX in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help PAX manage and further develop its business enterprise. The benefits received by PAX or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

As part of its fiduciary duties to Clients, PAX endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by PAX or its related persons in and of itself creates a potential conflict of interest and may indirectly influence PAX's choice of TD Ameritrade for custody and brokerage services.

PAX also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include Salesforce. TD Ameritrade provides the Additional Services to PAX in its sole discretion and at its own expense, and PAX does not pay any fees to TD Ameritrade for the Additional Services. PAX and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

PAX's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to PAX, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, PAX's Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with PAX, in its sole discretion, provided certain conditions are met. Consequently, in order to

continue to obtain the Additional Services from TD Ameritrade, PAX may have an incentive to recommend to its Clients that the assets under management by PAX be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. PAX's receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

#### **B.5.b. Compensation from Product Sponsors**

PAX and its employees can receive additional compensation from product sponsors whose products we make available to our Clients. PAX participates in activities that are designed to help our financial advisers be more knowledgeable about those company's products, operations, and management.

However, such compensation is not being tied to the sales of any products. Compensation may include such items as merchandise, gifts, prizes, leisure activities such as dinner or tickets to a sporting event, as well as payment or reimbursement in connection with business development expenses, educational meetings with investment IARs, Client workshops, seminars or appreciation events, software, marketing events or advertising initiatives, including services for identifying prospective Client.

Product sponsors may also pay for, or reimburse PAX for the costs associated with, education or training events that may be attended by PAX employees, Client and IARs in addition to PAX sponsored conferences and events. The educational activities, gifts and entertainment received by PAX from product sponsors do, however, create a conflict of interest for PAX. They incentivize PAX to focus more on or otherwise recommend or promote the products of those sponsors that provide this additional compensation over those that do not. Although direct or indirect compensation is received by these product sponsors, PAX IAR's only offer recommendations that are in the best interest of our Clients taking into consideration multiple areas of a Client's financial position such as suitability of recommendations, investment objectives, risk tolerance and financial goals etc.

PAX and its supervised person's receipt of additional compensation and/or services represents a conflict of interest because we have an incentive to offer products from product sponsors that provide these benefits. We mitigate this conflict of interest by disclosing it to our Client, by conducting our operations in accordance with our fiduciary duty, by following our firm's code of ethics and through ongoing monitoring conducted by our chief compliance officer.

#### **B.5.c. Sub-Adviser Referrals**

As referenced in Item 4, PAX has a financial incentive to refer Clients to approved sub-advisers rather than managing the assets on its own or refer them to another adviser, creating a conflict of interest. When PAX refers Clients to approved sub-advisers for Sub-Manager services it receives various incentives which benefit PAX but not all PAX Client, including:

- Certain technology implementation fees incurred by PAX in connection with PAX's use of the sub-adviser's technology solutions will be reduced or waived entirely if a predetermined number of PAX Client subscribe to PAX's guidance services which utilize such technology solutions.

- Certain technology implementation fees incurred by PAX in connection with PAX's use of the sub-adviser's technology solutions will be reduced if a predetermined number of PAX's Client's assets are placed in investment models or in mutual funds or exchange-traded funds available through such sub-adviser or one of its affiliates.
- Program fees normally incurred by PAX to offer a Wrap Fee program will be incurred by the sub-adviser as part of its services. The fees typically paid for by PAX include trade costs, platform fees and third-party provider fees; these fees will be paid for by the sub-adviser under the Third-Party Investment Management program.

**B.5.d. IAR Incentives**

PAX offers its financial advisers (IAR's) financial benefits based on his or her assets under management. This provides an incentive for the financial advisers to seek to retain additional assets from you. This conflict is mitigated by the financial adviser's adherence to the firm's fiduciary best interest obligations for account recommendations based on analysis of Client investment objectives and risk tolerance, and periodic review of accounts to ensure that client portfolios remain appropriate. Senior management and compliance also review accounts to ensure the appropriateness of investment recommendations on a regular basis.

**B.5.e. Advisory Firm Payments for Client Referrals**

PAX does not currently have any solicitor agreements in place. PAX does not currently directly or indirectly compensate any person who is not a supervised person for Client referrals.

**B.6. Financial Information****B.6.a. Balance Sheet**

PAX does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

**B.6.b. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

The firm does not have any financial issues that would impair its ability to provide services to Clients.

**B.6.c. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report for this item.

## **Item 10: Requirements for State-Registered Advisors**

### **A. Material Relationships Maintained by this Advisory Business or Management Persons with Issuers of Securities**

Other than what has been supplied in response to Item 9.A.2 of this Brochure, there is no additional information to disclose.