

Investment Adviser Brochure Part 2A

Prostatis Group LLC dba Prostatis Financial Advisors Group

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This brochure provides information about the qualifications and business practices of Prostatis Financial Advisors Group. If you have any questions about the contents of this brochure, please contact us at (410) 863-1040.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

Additional information about Prostatis Financial Advisors Group also is available on the SEC's website at www.adviserinfo.sec.gov.

The use of the term registered investment adviser does not imply a certain level of skill or training.

March 18, 2021

Item 2 – Material Changes

There were no material changes to this brochure since the last update.

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Item 4 – Advisory Business

Prostatis Financial Advisors Group (“the Adviser”) has been in business since 2003 and Michael Canet and Ryan C. Herbert are the principal owners.

Investment Management Services

The Adviser provides investment management services to its clients on a discretionary and non-discretionary basis. When the Adviser manages client assets on a discretionary basis, the Adviser executes securities transactions for clients without having to obtain specific client consent prior to each transaction. Discretionary authority is limited to investments within a client’s managed accounts. However, clients may impose restrictions on investing in certain securities or types of securities.

When the Adviser manages client assets on a non-discretionary basis, the Adviser notifies the client and obtains permission prior to the sale or purchase of each security within the managed account. Clients may decide not to invest in certain securities or types of securities and may refuse to approve securities transactions.

The Adviser provides investment management services that include, among other things, advice regarding asset allocation and the selection of investments, portfolio design, investment plan implementation, ongoing investment monitoring, an annual review, research, and account aggregation. The Adviser relies on the stated objectives of the client and considers the client’s risk profile and financial status prior to making any recommendations.

The Adviser sponsors a wrap fee program in order to offset various brokerage and custodial fees. Each client will receive a Prostatis Wrap Brochure.

Assets Under Management

As of December 31, 2020, the Adviser manages \$176,107,860 in client assets on a discretionary basis and \$2,844,039 on a nondiscretionary basis.

Financial Planning & Consulting Services

The Adviser provides financial planning and consulting services consistent with a client’s financial and tax status, in addition to their risk tolerance and investment objectives. Financial planning and consulting services may typically include the following and are offered based on client needs:

- Financial statement preparation and analysis (including cash flow analysis, planning and budgeting)
- Insurance planning and risk management
- Employee benefits planning
- Investment planning
- Income tax planning
- Retirement planning

- Estate planning

The financial planning and consulting process generally include:

- Establishing and defining the client-planner relationship
- Gathering client data including goals
- Analyzing and evaluating the client's current financial status
- Developing and presenting recommendations and/or alternatives
- Implementing the recommendations
- Monitoring the recommendations

The Adviser starts the comprehensive financial planning process by taking a financial inventory. This generally involves gathering enough data to perform an analysis of client liabilities, cash flow, net worth and tax assessments. The Adviser also evaluates client insurance coverage and needs. The Adviser's next step typically involves assisting clients with formalizing their goals and plotting their investment timeline as part of the financial planning process.

Retainer Services

Clients who elect to receive financial planning and consulting services on a retainer basis must have ongoing and comprehensive financial planning needs.

Financial Planning Conflicts of Interest

A conflict of interest is created whenever the Adviser or an associated person of the Adviser recommends products or services to a client for which the Adviser or an associated person receives compensation. However, clients are under no obligation to act upon any recommendations or to execute any transactions through an associated person if they decide to follow the recommendations.

Advisory Referral Services

The Adviser maintains referral agreements with third-party asset managers (other independent investment advisers). The Adviser gathers information about a client's financial and tax status and investment objectives in order to determine the client's risk profile. Based on this analysis the Adviser assists the client in allocating assets among various third-party asset management programs.

The Adviser receives compensation for introducing clients to these third-party asset managers and for certain ongoing services provided to clients. These arrangements create a conflict of interest because the Adviser has an incentive to refer a client to these third-party asset managers.

All third-party asset managers to whom the Adviser refers a client are licensed as investment advisers by their resident states and any applicable jurisdictions or by the Securities and Exchange Commission.

Item 5 – Fees and Compensation

Investment Management Fees

The Adviser is compensated for investment management services based on a client's assets under management. Fees are paid monthly in advance and are negotiable based on the amount of assets under management, asset mix and other services being provided.

Fees are due on the first day of the calendar month, and are based on the account's asset value as of the last business day of the prior calendar month. Fees are prorated for accounts opened during the month. Clients may elect to have the Adviser deduct fees directly from their accounts or be invoiced for services.

Annualized Investment Management Fees (Generally Apply)

From	To	Per Year
	Up to \$249,999	2.00%
\$250,000	\$500,000	1.75%
\$500,001	\$1,500,000	1.50%
\$1,500,001	\$2,500,000	1.25%
\$2,500,001	\$3,500,000	1.00%
Over \$3,500,000		0.75%

Note: This fee schedule went into effect on January 1, 2017.

The Adviser offsets a portion of the fees charged by the Custodian for custodial and brokerage related services. This includes various brokerage costs related to transactions, retirement plan and administration fees. However, this does not cover mutual funds expenses as disclosed in the prospectuses, mark-ups, mark-downs, transfer fees, and wire fees among other fees. Clients should note that fees for comparable services vary and lower or higher fees may be charged by different providers for similar services.

Clients will have a period of five (5) business days from the date of signing an advisory agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the advisory agreement with 30 days written notice. Upon termination, fees will be prorated to the date of termination and the unearned portion will be refunded.

The day of receipt of the written notice is used as the numerator and the number of days in the billing period is used as the denominator. The fraction is multiplied by the fee that was charged, the amount represents the fee that was earned and it is subtracted from the fee that was received. The balance represents the refund which is credited to the client account held at the custodian.

Financial Planning & Consulting Fees

The Adviser charges clients an hourly fee for financial planning and consulting services.

Clients are billed at the rate of \$325 an hour. Hourly fees are payable as services are performed and the Adviser will regularly invoice clients for fees that are due and payable.

Retainer Service Fees

Clients are billed fixed fees that generally range from \$500 to \$2,500 based on the range and complexity of the services provided. Fixed fees are disclosed in the agreement a client signs. Fixed fees are payable in advance and services are generally completed within 120 days of engagement.

General

If clients elect to implement recommendations made in a financial plan, their accounts may incur transaction costs, retirement plan administration fees, and other mutual fund annual expenses that are charged by broker-dealers, plan administrators or mutual fund companies that sell securities or provide additional services to Adviser clients. These fees are in addition to and separate from planning and consulting fees.

Clients will have a period of five (5) business days from the date of signing an agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the agreement prior to delivery of the plan or completion of the services with written notice. Upon termination, the Adviser will prorate fees to the date of termination and will refund any unearned portion of the fee. Advisory clients should note that fees for comparable services vary and lower or higher fees for comparable services may be available from other sources.

Advisory Referral Fees

The Adviser places client assets with third-party managers. The compensation for these services is based on a client's assets under management. Fees are paid monthly in arrears and are negotiable based on the amount of assets and other services being provided.

Fees are due on the first day of the calendar month, and are based on the account's asset value as of the last business day of the prior calendar month. Fees are prorated for accounts opened during the month.

Annualized Fees

From	To	Per Year
	Up to \$499,999	1.25%
\$500,000	\$1,500,000	1.00%
\$1,500,001	\$2,500,000	0.90%
\$2,500,001	\$3,500,000	0.80%
Over \$3,500,000		0.70%

The third-party asset manager fees are separate and in addition to the fees charged by the Adviser. Fees paid by clients to independent third-party managers are established and payable in accordance with the ADV Part 2A brochure or other equivalent disclosure document of each independent third-party manager to whom the Adviser refers its clients and may or may not be negotiable. The facts and circumstances of negotiability are contained in the disclosure documents of each third-party manager.

Clients who are referred to third-party investment managers will receive a Part 2A brochure providing details of services rendered and fees to be charged. Clients will receive copies of the Adviser's and third-party investment managers' Parts 2A at the time of the referral.

In addition, if the Adviser recommends a wrap fee program, the client will also receive a wrap fee brochure provided by the sponsor of the program. The Adviser will provide to each client all appropriate disclosure statements, including disclosure of solicitation fees paid to the Adviser and its advisory associates.

Receipt of Additional Compensation

Investment adviser representatives receive brokerage or mutual fund trail commissions for the sale of securities to clients in their capacity as registered representatives of broker-dealers. The practice presents a conflict of interest whenever this occurs because it provides an incentive to recommend investment products based on the compensation to be received rather than on the client's needs.

This practice presents a conflict of interest whenever this occurs because it provides an incentive to recommend investment products based on the compensation to be received rather than on the client's needs. A supervised person of the Adviser has an incentive to recommend investment products based on the compensation received rather than on a client's needs.

The Adviser monitors trading practices and regularly reviews client securities transactions in order to protect clients against this conflict of interest. Clients are advised that they are not required to purchase or sell securities through the investment adviser representatives acting in the capacity of registered representatives and may purchase the same securities or products from an unaffiliated broker-dealer.

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

The Adviser does not charge or receive, directly or indirectly, any performance-based fees.

Item 7 – Types of Clients

The Adviser provides advisory services to:

- Individual – Trusts, estates, 401(k) plans and IRAs of a household count as one individual.
- High net worth individual – An individual who is a “qualified client” under rule 205-3 of the Advisers Act of 1940 or is a “qualified purchaser”.
- Business entities including sole proprietorships
- Pension and profit-sharing plans (other than plan participants)

Account Minimums

The Adviser doesn’t have account minimums.

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

Method of Analysis

The Adviser’s main sources of financial information are prospectuses, research materials prepared by others, corporate rating services, annual reports and company press releases.

Fundamental Analysis

The Adviser uses fundamental analysis. Fundamental analysis involves predicting the price movement of an asset based on measures that are related to the underlying business. This method is used to judge the performance of management. (Although it is important to note that things outside of management’s control can impact performance.) Comparing the margins of the company and its relative performance to that of two or three of its peers will give an idea of whether the performance is potentially outside of management’s control.

Technical Analysis

The Adviser uses technical analysis. Technical analysis involves predicting the price movement of an asset based on factors unrelated to the underlying business (price, volume, and open interest, among other factors, to detect and interpret patterns to predict the movement of individual securities, an industry or the broad market).

Charting is a subsector of technical analysis and also focuses on predicting price movements of assets based on patterns that are formed by the price movements.

Mutual and Exchange Traded Funds

The Adviser recommends index and actively managed, mutual and exchange traded funds when designing client portfolios. The Adviser considers index funds based on how closely the funds’ characteristics mirror the indices they track. The Adviser analyzes actively managed funds by comparing funds that target the same market sector and have the same investment style using prospectuses and other sources of information. The Adviser reviews the following prior to recommending funds to clients:

- Rank in Category over various periods
- Return Rating
- Risk Rating
- YTD Return (Outsize swings in comparisons to peers can be a sign of risky practices such as placing large bets on certain sectors of the market.)
- 1 Yr. Return
- 3 Yr. Return
- 5 Yr. Return (Typically over a five-year period, the economy experiences a complete cycle. However, the way in which a manager operates in various economic environments reflects the manager's ability to make adjustments or stay the course.)
- Loads
- Total Expense Ratios
- Net Assets
- Turnover
- Median Market Capitalization

The Adviser also takes the manager or management team tenure under consideration to determine who was responsible for generating the performance numbers.

Public Equity

A corporation may issue stock to the general public after registration. Stock represents an ownership interest in a company. The Adviser uses valuation measures and financial information, evaluates the regulatory environment, analyzes products or services that are available or under development and the factors that can impact them to predict the price movement of a company's stock. The Adviser also makes comparisons to the company's peers and to the broader market.

Corporate Debt & Municipal Securities

The Adviser generally analyzes the current yield, yield to maturity, yield to call, call and default risks, and interest coverage. Debt is issued by federal, state and foreign governments and corporations to finance their operations. Debt represents their promise to repay the borrowed amount with interest according to the terms and conditions of the debt instrument. Debt obligations offer limited participation in the upside of a business. In exchange holders receive interest and a position that is generally senior to equity in a bankruptcy.

Investment Strategies

The Adviser works with each client to design an appropriate investment strategy based on their financial and tax status, risk tolerance and investment objectives. The Adviser usually recommends investment strategies for the long-term, but may occasionally recommend short-term investment and hedging strategies. The Adviser generally recommends a target asset mix with periodic rebalancing.

Risk of Loss

Clients are advised that investing in securities involves the risk of loss of the entire principal amount invested including any gains. Clients should not invest unless they are able to bear this risk. Any investment strategies may lead to a loss on investments. Even hedging strategies may fail if markets move against the hedged investments. In addition, investing carries with it opportunity risk. It is impossible to accurately predict the sectors of the market or asset classes that will have more favorable returns for a given period.

Item 8.A – Frequent Trading of Securities

The Adviser is not involved in the frequent trading of securities.

Item 8.B – Material Risks of Particular Securities

The Adviser doesn't recommend a type of security that involves significant or unusual risks.

Item 9 – Disciplinary Information

Mr. Canet is a management person. He participated in the settlement of a complaint alleging that a form associated with life insurance paperwork was altered. The firm inadvertently exceeded 5 clients prior to becoming registered in the Commonwealth of Virginia. The firm signed an affidavit agreeing to read, review and not violate the Virginia Securities Act or associated rules in the future and become familiar with the requirements of providing investment advisory services within the Commonwealth of Virginia.

Item 9.A – Criminal or Civil Actions

Neither the Adviser nor any management person has been found guilty of or has any criminal or civil actions pending in a domestic, foreign or military court.

Item 9.B – Administrative Proceedings

Neither the Adviser nor any management person has any administrative proceedings pending before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

Item 9.C – Self-Regulatory Organization ("SRO") Proceedings

Neither the Adviser nor any management person have been found by any SRO to have caused an investment-related business to lose its authorization to do business, or to have been involved in violating the SRO's rules, or were barred or suspended from membership or from associating with other members, or were expelled from membership, otherwise significantly limited from investment-related activities, or fined.

Item 10 – Other Financial Industry Activities and Affiliations

Item 10.A – Broker-Dealer Registration

Associated persons of the Adviser may be registered representatives of broker dealers. In their capacity as registered representatives, associated persons may recommend securities or other products and receive normal transaction fees, commissions or other compensation. A conflict of interest is created whenever associated persons of the Adviser recommend products or services to a client for which the associated person receives compensation. Clients are under no obligation to act upon any recommendations of associated persons or affect any transactions through associated persons if they decide to follow their recommendations.

Item 10.B – Futures Commission Merchant/Commodities

Neither the Adviser nor any management person is a commodity broker/futures commission merchant, a commodity pool operator, commodity trading advisor or an associated person for the foregoing entities; nor do they have any registration applications pending.

Item 10.C – Relationships with Related Persons

Tax & Law

Michael Canet is the owner of a Prostatix Tax LLC. The firm offers tax preparation services. Mr. Canet is the owner of a law firm that bears his name. Mr. Canet consults with prospects regarding estate, tax, and miscellaneous legal issues. Mr. Canet also manages rental property, is an author and hosts radio and television shows.

Brokerage & Insurance

In addition, to being registered representatives of broker dealers, certain associated persons are insurance agents appointed with various insurance companies and insurance services are offered through Prostatix Insurance LLC.

The Adviser gets marketing support from an insurance marketing organization based upon production and use of certain carriers, marketing dollars are available to pay for website development, editorial and publication development, some printing, some mailing, some Facebook and Google ad placement. The Adviser also has incentives based upon total production to attend training and events. Some carriers offer incentives such as training and award trips.

Coaching & Mentoring

Michael Canet is the owner of Prostatix Management Group, LLC. The firm offers coaching and mentoring to other advisory firms. There are no anticipated conflicts of interest with advisory clients.

General

In these capacities associated persons of the Adviser may recommend securities, insurance, tax, legal or other products and services, and receive commissions, marketing support and other compensation if products are purchased through or services are provided through any firms with which any associated persons are affiliated.

A conflict of interest is created whenever associated persons of the Adviser recommend products or services to a client for which the associated person receives compensation. However, clients are under no obligation to act upon any of their recommendations or execute any transactions through them if they decide to follow their recommendations. The Adviser (or associated persons of the Adviser) receive the following additional compensation:

- 12b-1 fees
- Commissions on the sale of insurance or other products
- Sales Compensation (including asset-based sales charges, bonuses, trailing fees, service fees and offsets against adviser fees)
- Incentives shared with custodians (i.e. offsets, revenue sharing payments, credits, or waivers of fees and expenses)

Any of the above situations will result in a conflict of interest by creating an incentive for the adviser or associated persons to recommend a particular investment product or service. The Adviser informs clients that they are under no obligation to act upon any recommendations or execute any transactions and may elect to do business with other advisers or broker-dealers at any time.

Item 10.D – Relationships with Other Advisers

Associated persons of the Adviser may be registered representatives of broker dealers that are or have affiliates that are registered investment advisers. However, associated persons aren't affiliated with the registered investment advisers in registered capacities.

The Adviser maintains referral agreements with third-party asset managers (other independent investment advisers). The Adviser receives compensation for introducing clients to these third-party asset managers and for certain ongoing services provided to clients. A conflict of interest is created whenever associated persons of the Adviser recommend products or services to a client for which the associated person receives compensation.

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

Item 11.A – Code of Ethics

The Adviser has adopted a Code of Ethics that sets forth standards of conduct expected of advisory personnel and to address conflicts that arise from personal trading by advisory personnel.

Advisory personnel are obligated to adhere to the Code of Ethics, and applicable securities and other laws.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code to any client or prospective client upon request.

Item 11.B – Participation or Interest in Client Transactions

Personal Trading of Associates Affiliated with a Brokerage Firm

In their capacity as registered representatives or principals, associated persons of the Adviser may receive payments from certain mutual funds distributed pursuant to a 12b-1 distribution plan, or other such plans, as compensation for administrative services, representing a separate financial interest. A conflict of interest is created whenever associated persons of the Adviser recommend products or services to a client for which an associated person receives compensation.

Principal Trading

Neither the Adviser nor any affiliated broker-dealer affects securities transactions as principal with the Adviser's clients. Neither the Adviser nor any associated person acting as a principal, buys securities from (or sells securities to) clients, acts as general partner in a partnership in which Adviser solicits client investments, or acts as an investment adviser to an investment company that the Adviser recommends to clients.

Agency-Cross Action Transactions

Neither the Adviser nor any associated person recommends that clients buy from or sell securities to other clients.

Item 11.C – Personal Trading by Associated Persons

Associated persons are permitted to invest in all asset classes. See Item 11.D for information concerning conflicts of interest.

Item 11.D – Conflicts of Interest with Personal Trading by Associated Persons

Associated persons may own an interest in or buy or sell for their own accounts the same securities, which may be recommended to advisory clients. Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored.

Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell a specific security for their own account based on personal investment considerations, which the Adviser does not deem appropriate to buy or sell for clients.

Item 12 – Brokerage Practices

Item 12.A – Factors in Selecting or Recommending Broker-Dealers

Associated persons in their capacity as registered representatives may suggest that clients implement recommendations through their associated broker dealers. If the client so elects, associated persons would receive normal and customary commissions in their capacities as registered persons of broker dealers. presenting associated persons with a conflict of interest. Furthermore, in implementing a financial plan, clients may pay commissions or fees that are higher or lower than those that may be obtained elsewhere for similar services. Clients are advised that they are under no obligation to implement the plan or its recommendations through the associated persons in their capacities as registered representatives.

The Custodian and Brokers We Use

The Adviser does not maintain custody of your assets that we manage. Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when instructed. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them.

How We Select Brokers/Custodians

The Adviser makes custodial recommendations based on the Adviser’s perception of the breadth of services offered and quality of execution. However, the client may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services. Clients are advised that they are under no obligation to act on the recommendations of the Adviser.

Your Custody and Brokerage Costs

For our clients’ accounts it maintains, Schwab generally does not charge you separately for custody services but is compensated by commissions or other fees on trades that it executes or that settle into your Schwab account. The Adviser offsets a portion of the fees charged as discussed above. Mutual Funds and ETFs back end and additional fees are not included in wrap fees, only the trade commission fee charged by Schwab.

In addition to commissions Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade that is executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

Products and Services

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms. They provide us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Schwab’s support-services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as we keep a total of at least \$10 million of our clients’ assets in accounts at Schwab.

Here is a more detailed description of Schwab’s support services:

Services that Benefit You. Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

Services that May Not Directly Benefit You. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab makes available software and other technology, provides access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution and allocate aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of our fees from our clients’ accounts; and assist with back-office functions, recordkeeping, and client reporting.

Services that Generally Benefit Only Us. Schwab also offers other services intended to help us manage and further develop our business enterprise. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party’s fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

Based on the availability of the aforementioned benefits and services the Adviser has an incentive to recommend that clients use the Custodian. This creates a conflict of interest. The Adviser addresses this conflict of interest by making custodial recommendations that are based on the Adviser's perception of the breadth of services offered, and quality of execution.

It is likely that the Adviser from time to time will affect securities transactions and pay a commission that exceeds the commission another broker-dealer would have charged. Generally, the Adviser will determine in good faith that such commissions are reasonable in relation to the value of the services provided by the Custodian, viewed in terms of either the particular transaction or the overall relationship.

Item 12.A1 – Research and Other Soft Dollar Benefits

The Adviser does not receive soft dollars generated by securities transactions. The Adviser does not use client brokerage commissions (or markups or markdowns) to obtain research or other products or services.

Item 12.A2 – Brokerage for Client Referrals

The Adviser does not refer clients to particular broker-dealers in exchange for client referrals from those broker-dealers.

Item 12.A3 – Directed Brokerage

The Adviser does not recommend or require that clients direct their brokerage business to any particular broker-dealer.

Item 12.B – Trade Aggregation

In placing orders to purchase or sell securities in accounts, the Adviser may elect to aggregate orders. In so doing, the Adviser will not aggregate transactions unless aggregation is consistent with its duty to seek best execution and the terms of the Adviser's investment advisory agreement with each client for which trades are being aggregated.

No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all of the Adviser's transactions in that security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction; adviser will prepare, before entering an aggregated order, a written statement specifying the participating client accounts and how it intends to allocate the securities purchased among those clients.

If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the written statement. If the order is partially filled, it will be allocated pro-rata based on the written statement.

Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the written statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and approved in writing by the Adviser's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed.

The Adviser's books and records will separately reflect, for each client account, the orders which are aggregated, the securities held by, and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the client's cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis.

Cash or securities held collectively for clients will be delivered to the custodian bank or broker-dealer as soon as practicable following the settlement. The Adviser will receive no additional compensation of any kind as a result of the proposed aggregation and individual investment advice and treatment will be accorded to each client.

Item 13 – Review of Accounts

Advisory associates perform reviews of all investment advisory accounts no less than quarterly. Associates review accounts for consistency with the investment strategy and performance chosen by clients (among other things).

Reviews may be triggered by changes in an account holder's personal, tax or financial status. Macroeconomic and company specific events may also trigger reviews. There is currently no limit on the number of accounts that can be reviewed by an associate. Michael Canet is responsible for conducting review of accounts via the Investment Adviser Registration Depository ("IARD").

In addition, brokerage statements are generated no less than quarterly and the account custodian sends copies directly to clients. These reports list the account positions, activity in the account over the covered period and other related information. The custodian also sends confirmations following each brokerage account transaction unless confirmations have been waived.

Financial plans are reviewed only upon request, investment management clients do not incur separate fees but other clients will have to sign agreements and consulting fees will apply, refer to Item 5.

Item 14 – Client Referrals and Other Compensation

The Adviser may employ/engage solicitors to whom it will pay cash or a portion of the fees paid by clients referred by those solicitors. All solicitors who refer clients will be in compliance with the requirements of the jurisdiction where they operate. When applicable the solicitors will be licensed as investment advisers or notice filed in the appropriate jurisdictions.

Whenever the Adviser compensates solicitors for referrals, the effected clients will receive a disclosure document discussing the referral fees paid and informing the client about whether the client or the Adviser pays the fee.

Item 15 – Custody

The Adviser doesn't accept physical custody of funds or securities. However, advisory fees are deductible directly from client accounts; therefore, the Adviser is deemed to have custody of client funds and securities.

Clients should carefully review the statements they receive from custodians. Clients are urged to compare the account statements they receive from the qualified custodian with any statements they receive from the Adviser.

Standing Letters of Authorization – The Adviser maintains custody of client funds and/or securities by virtue of having one or more Standing Letters of Authorization ("SLOA") from clients of the Adviser. SLOAs provide investment advisers with the authority to disburse client funds to one or more third parties as specifically designated by the client.

Clients instruct account custodians to accept the Adviser's instructions (on the client's behalf) to move money to third parties designated by the client in the SLOA. The Adviser's authority is strictly limited by the terms of that instruction and the client retains full power to change or revoke the arrangement at any time.

The SEC has determined that under these circumstances, the Adviser retains custody of client assets. The Adviser will periodically review fund transfer authorizations from client accounts and wire transfer destination information to ensure that transfers conform to the authority granted in the SLOAs.

Item 16 – Investment Discretion

Under some circumstances associated persons of the Adviser may be granted the authority to select the amount of securities to be bought or sold without specific client consent.

Item 17 – Voting Client Securities

The Adviser does not accept authority to vote proxies on behalf of clients as a matter of policy. Clients will receive their proxy information directly from their custodian. Clients may contact the Adviser with questions about a particular solicitation by telephone at (410) 863-1040.

Item 18 – Financial Information

There is no financial condition that is reasonably likely to impair the Adviser's ability to meet its contractual commitments to its clients. The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.