

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

November 16, 2023

#### **The Legacy Financial Group, Inc.**

SEC File No. 801-64293

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This brochure provides information about the qualifications and business practices of The Legacy Financial Group, Inc. If you have any questions about the contents of this brochure, please contact us at 918-665-0826 or via email to [elissa@legacyadvisor.net](mailto:elissa@legacyadvisor.net). 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 The Legacy Financial Group, Inc., is 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. At this time there are no material changes from the last annual update of this disclosure statement issued on March 13, 2022.

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## Item 4: Advisory Business

### A. The Legacy Financial Group, Inc.

The Legacy Financial Group, Inc. ("Legacy Financial" and/or "the firm") is an Oklahoma corporation. The firm was formed in 2005 as the successor to a firm previously formed in 2000. Legacy Financial is principally owned by Kevin K. King.

### B. Advisory Services Offered

Legacy Financial's clients hire us to build broadly diversified global portfolios and to provide financial planning services to help them reach their goals.

#### B.1. Portfolio Management Services

For its discretionary portfolio management services, Legacy Financial 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. Legacy Financial's portfolio management services are predicated on the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances. Legacy Financial 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. Legacy Financial's objective is to review the client's tax, financial, and estate planning objectives and goals in connection with the client's investment objectives, goals, tolerance for risk, and other personal and financial circumstances and make appropriate recommendations and implementation decisions. Legacy Financial may refer third-party service providers to assist with the tax and estate planning portion of the services provided to clients. In addition, Legacy Financial may utilize third-party software to analyze individual security holdings and separate account managers utilized within the client's portfolio.

Legacy Financial's portfolio management services to clients take into account a client's personal financial circumstances, investment objectives and tolerance for risk (e.g., cash-flow, tax and estate). Legacy Financial'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 Legacy Financial in response to a questionnaire and/or in discussions with the client and reviewed in meetings with Legacy Financial.
- 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.

- 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.

In addition to providing Legacy Financial with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients have the right to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to 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. Legacy Financial 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. Legacy Financial 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. Pension Consulting Services**

Legacy Financial provides non-discretionary retirement plan services. Legacy Financial will to work with plans to monitor plan investments, provide fiduciary plan advice including regular considerations of the goals and objectives of the plan, and provide participant education services to the plan.

### **B.3. Financial Planning Services**

Legacy Financial's clients hire us to build broadly diversified global portfolios and to provide financial planning services to help them reach their goals. Legacy Financial is a financial services company that assists its clients in reaching their goals by offering integrated planning that includes services such as investment, retirement, tax, estate, and risk management. The scope of such services will be based upon mutual consent of the firm and the client prior to the engagement. Legacy Financial will make referrals to applicable insurance specialists, tax accountants, and estate planning lawyers as necessary to assist clients.

Based on the client's needs, Legacy Financial will provide one or more of the following services:

- Customized financial plan
- Investment planning
- Retirement and cash flow planning
- Income tax planning
- Estate planning and wealth transfer
- Company benefits planning
- Education planning
- Risk management

### **C. 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.

### **D. Wrap Fee Programs**

Legacy Financial does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

### **E. Client Assets Under Management**

As of December 31, 2022, Legacy Financial managed \$335,700,000 on a discretionary basis and \$0 million on a non-discretionary basis.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Portfolio Management Fees

Legacy Financial's fees will be billed based on the market value of assets under management as determined on the last day of each calendar quarter and billed utilizing the following tier schedule. The rates listed below will be applied to each level of the market value of the assets under management. Fees are negotiable.

#### *Portfolio Management Services*

<u>Assets Under Management</u>	<u>Annual Fee Rate</u>
Up to \$1,000,000	1.0%
\$1,000,001 to \$2,000,000	0.9%
\$2,000,001 to \$3,000,000	0.8%
\$3,000,001 to \$4,000,000	0.7%
\$4,000,001 to \$5,000,000	0.6%
\$5,000,001 to \$10,000,000	0.5%
\$10,000,001 to \$20,000,000	0.3%
\$20,000,001 to \$50,000,000	0.2%
\$50,000,001 to \$100,000,000	0.1%

A minimum of \$500,000 of assets under management is required for Portfolio Management Services. Legacy Financial also has a minimum fee of \$10,000; for portfolio values less than \$1 million, clients may be able to obtain comparable services at a lower cost elsewhere. Legacy Financial, at its sole discretion, may waive this minimum requirement.

Fees are subject to the investment advisory agreement between the client and Legacy Financial. Such fees are payable quarterly in arrears.

#### A.2. Financial Planning Fees

Legacy Financial includes its financial planning services in the asset-based fees described above. To the extent the client prefers a fixed fee arrangement, such fee including the scope of services will be agreed upon between the client and Legacy Financial prior to the engagement.

### B. Client Payment of Fees

Legacy Financial does not require the prepayment of its fees. Legacy Financial 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. Legacy Financial reserves the right to liquidate any securities in the client's

account(s) for the purpose of satisfying fee payment requirements in the event insufficient cash is available for such purpose.

A client's investment advisory agreement may be canceled by Legacy Financial upon 30 days' prior written notice to client, and a client may cancel such agreement at any time upon written notice to Legacy Financial. Upon termination, any earned, unpaid fees will be due and payable.

### **C. Additional Client Fees Charged**

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, 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 Legacy Financial 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 (Item 12) for additional information regarding the firm's brokerage practices.

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

Legacy Financial's advisory professionals are compensated primarily through receipt of a portion of the advisory fee. Administrative staff receive a salary and a discretionary bonus. Certain of Legacy Financial's advisory professionals may receive commission-based compensation for the sale of insurance products. Please see Item 10.C. for detailed information and conflicts of interest.

### **E. 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.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

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

## Item 7: Types of Clients

Legacy Financial offers its investment services to individuals, businesses, trusts, foundations, and qualified retirement plans.

Legacy Financial generally requires a minimum account size of \$500,000 for Portfolio Management Services. Legacy Financial also has a minimum fee of \$10,000; for portfolio values less than \$1 million, clients may be able to obtain comparable services at a lower cost elsewhere. Legacy Financial reserves the right to waive the minimum account requirements.

## **Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss**

### **A. Methods of Analysis and Investment Strategies**

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

#### **A.1. Methods of Analysis**

The investment advice Legacy Financial provides rests on four principles:

- Financial markets are efficient
- Risk and Return are related
- Broad Diversification
- Investor Discipline

At Legacy Financial, we believe these are the keys to a successful investment experience. We do not believe in traditional active investment management practices such as stock picking and market timing.

The philosophy and strategy Legacy Financial implements for our clients rests upon the body of academic research known as Modern Portfolio Theory. It is focused on maintaining a long-term perspective and capturing the returns offered by the financial capital markets.

Legacy Financial uses a variety of sources of data to conduct its economic, investment and market analysis, which may include financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. 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.

Legacy Financial and its investment adviser representatives 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 client's risk tolerance.
- 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, Legacy Financial reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Legacy Financial may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

## **A.2. Mutual Funds and Individual Securities**

Legacy Financial may recommend "institutional share class" mutual funds and individual securities (including fixed income instruments). A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, and individual securities (including fixed-income securities) is set forth below.

Legacy Financial 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

Legacy Financial may utilize additional independent third parties to assist it in recommending and monitoring individual securities and mutual funds to clients as appropriate under the circumstances.

Legacy Financial reviews certain quantitative and qualitative criteria related to mutual funds 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 fund'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's fee structure

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

Quantitative and qualitative criteria related to mutual funds are reviewed by Legacy Financial on a quarterly basis or such other interval as appropriate under the circumstances. In addition, mutual funds 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 by Legacy Financial (both of which are negative factors in implementing an asset allocation structure).

Legacy Financial may negotiate reduced account minimum balances and reduced fees with fund 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 utilized. Legacy Financial will endeavor to obtain equal treatment for its clients with funds, but cannot assure equal treatment.

Legacy Financial will regularly review the activities of mutual funds utilized for the client. Clients who invest in mutual funds should first review and understand the disclosure documents of those 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.

### **A.3. Material Risks of Investment Instruments**

Legacy Financial may invest in open-end mutual funds and exchange-traded funds for the vast majority of its clients. In addition, for certain clients, Legacy Financial 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

#### **A.3.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.

#### **A.3.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.

#### **A.3.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>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

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.

#### **A.3.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.

#### **A.3.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.

### **A.3.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).

## **B. Investment Strategy and 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.

### **B.1. Margin Leverage**

Although Legacy Financial, 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, Legacy Financial 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.



## **B.2. Short-Term Trading**

Although Legacy Financial, 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.

## **B.3. Short Selling**

Legacy Financial 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.

## **B.4. 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.

## **B.5. 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.

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

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

#### **B.5.a. 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.

#### **B.5.b. 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.

#### **B.5.c. 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. Security-Specific Material Risks**

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.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Broker-Dealer or Representative Registration**

Neither Legacy Financial nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither Legacy Financial 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.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Insurance Sales**

Certain managers, members, and registered employees of Legacy Financial are licensed insurance agents and may recommend insurance products offered by such carriers for whom he functions as an agent and receive a commission for doing so. Please be advised there is a conflict of interest in that there is an economic incentive to recommend insurance and other products of such carriers. Please also be advised that Legacy Financial strives to put its clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

#### **C.2. CrossFirst Bank**

Kevin King, one of Legacy Financial's owners, is a shareholder in CrossFirst Bankshares, Inc., a Kansas corporation which owns CrossFirst Bank. Please be advised that clients of Legacy Financial may be referred to CrossFirst Bank, which presents a conflict of interest. Clients are under no obligation to obtain services through CrossFirst Bank.

#### **C.3. Dimensional Fund Advisors**

Dimensional Fund Advisors ("DFA") is an Institutional Mutual Fund Company based in Santa Monica, CA and Austin, TX. DFA recommends our firm to individuals who are interested in their mutual funds. It is important you know that we do not receive any commissions or any compensation from DFA nor pay any compensation to DFA for utilizing their funds in our clients' portfolios. However, such recommendations by DFA to prospective clients of Legacy Financial may influence our recommendation of DFA to our clients. Although our use of DFA Funds is not based upon referrals that DFA provides, such arrangement may be viewed as a conflict of interest.

#### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Legacy does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from the separate account manager or client.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Legacy Financial has adopted policies and procedures designed to detect and prevent insider trading. In addition, Legacy Financial has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Legacy Financial'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 Legacy Financial. Legacy Financial will send clients a copy of its Code of Ethics upon written request.

Legacy Financial has policies and procedures in place to ensure that the interests of its clients are given preference over those of Legacy Financial, 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. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Legacy Financial 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, Legacy Financial does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Legacy Financial, 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 Legacy Financial specifically prohibits. Legacy Financial 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 Legacy Financial's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Legacy Financial, 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 Legacy Financial clients. Legacy Financial 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 (please refer to Item 12.B.3 Order Aggregation). It is the policy of Legacy Financial to place the clients' interests above those of Legacy Financial and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Legacy Financial may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc., or July Business Services (for the 401k retirement plans we manage), (collectively hereinafter “custodian”), FINRA registered broker-dealers and SIPC members, to maintain custody of clients’ assets and to effect trades for their accounts. Although Legacy Financial may recommend that clients establish accounts at the custodian, it is the client’s decision to custody assets with the custodian. Legacy Financial is independently owned and operated and not affiliated with custodian. For Legacy Financial client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

Legacy Financial 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 Legacy Financial, Legacy Financial 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 Legacy Financial 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.

#### A.1.b. How We Select Brokers/Custodians to Recommend

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

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)



- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.c. Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates paid are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **A.1.d. Soft Dollar Arrangements**

The firm does not utilize soft dollar arrangements. The firm does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.e. Institutional Trading and Custody Services**

The custodian provides Legacy Financial with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

**A.1.f. Other Products and Services**

Custodian also makes available to Legacy Financial other products and services that benefit Legacy Financial but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Legacy Financial's accounts, including accounts not maintained at custodian. The custodian may also make available to Legacy Financial software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of Legacy Financial's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help Legacy Financial manage and further develop its business enterprise. These services may include

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

The custodian may also provide other benefits such as educational events or occasional business entertainment of Legacy Financial personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Legacy Financial may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

**A.1.g. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Legacy Financial. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Legacy Financial.

**A.1.h. Additional Compensation Received from Custodians**

Legacy Financial may participate in institutional customer programs sponsored by broker-dealers or custodians. Legacy Financial may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Legacy Financial's participation in such programs and the investment advice it gives to its clients, although Legacy Financial receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may 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 Legacy Financial participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from 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 Legacy Financial by third-party vendors

The custodian may also pay for business consulting and professional services received by Legacy Financial's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for Legacy Financial's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Legacy Financial but may not benefit its client accounts. These products or services may assist Legacy Financial in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Legacy Financial manage and further develop its business enterprise. The benefits received by Legacy Financial or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Legacy Financial also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Legacy Financial to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Legacy Financial will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Legacy Financial's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Legacy Financial's personnel to attend conferences sponsored by the broker-dealer or trust company).

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

#### **A.1.i. The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. This

minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

## **A.2. Brokerage for Client Referrals**

Legacy Financial does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. Legacy Financial Recommendations**

Legacy Financial typically recommends Charles Schwab or July Business Services as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Legacy Financial 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 Legacy Financial 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. Legacy Financial loses the ability to aggregate trades with other Legacy Financial advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

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

### **B.1. Best Execution**

Legacy Financial, 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. Legacy Financial recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Legacy Financial 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, Legacy Financial 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 Legacy Financial's knowledge, these custodians provide high-quality execution, and Legacy Financial'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, Legacy Financial believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since Legacy Financial may be managing accounts with similar investment objectives, Legacy Financial 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 Legacy Financial in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Legacy Financial's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Legacy Financial 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.

Legacy Financial's advice to certain clients and entities and the action of Legacy Financial 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 Legacy Financial with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Legacy Financial to or on behalf of other clients.

**B.3. 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 Legacy Financial believes that a larger size block trade would lead to best overall price for the security being transacted.

**B.4. 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."

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

## **Item 13: Review of Accounts**

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

Accounts are reviewed by Legacy Financial's investment adviser representative servicing the client's account. The frequency of reviews is determined based on the client's investment objectives, but reviews are conducted no less frequently than semi-annually. More frequent reviews may also be triggered by a change in the client's investment objectives, tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in the underlying investment, or changes in macro-economic climate.

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

Legacy Financial 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 Legacy Financial formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

Each client maintaining a managed account with Legacy Financial will receive a portfolio review report on a quarterly basis.

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 Legacy Financial.

## **Item 14: Client Referrals and Other Compensation**

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

Other than what is disclosed in Item 12 regarding benefits the firm receives from its custodian(s), Legacy Financial does not receive economic benefits for referring clients to third-party service providers.

### **B. Advisory Firm Payments for Client Referrals**

Legacy does not pay for client referrals.



## Item 15: Custody

Legacy Financial is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The client authorizes us to instruct their custodian to deduct our advisory fees directly from the client's account. The custodian maintains actual custody of clients' assets.
- Our authority to direct client requests, utilizing standing instructions, for wire transfer of funds for first-party money movement and third-party money movement (checks and/or journals, ACH, Fed-wires). The firm has elected to meet the SEC's seven conditions to avoid the surprise custody exam, as outlined below:
  1. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
  2. The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
  3. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
  4. The client has the ability to terminate or change the instruction to the client's qualified custodian.
  5. The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
  6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
  7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Individual advisory clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Clients are urged to compare the account balance(s) shown on their account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Legacy Financial with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Legacy Financial will exercise full discretion as to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions.

## Item 17: Voting Client Securities

Legacy Financial does not take discretion with respect to voting proxies on behalf of its clients. All proxy material will be forwarded to the client by the client's custodian for the client's review and action. Clients may contact the firm with questions regarding proxies they have received.

Legacy Financial 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 Legacy Financial supervised and/or managed assets. In no event will Legacy Financial take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Legacy Financial 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. Legacy Financial has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Legacy Financial 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, Legacy Financial 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 Legacy Financial 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 18: Financial Information**

### **A. Balance Sheet**

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

Legacy Financial does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

Legacy Financial not been the subject of a bankruptcy petition during the last 10 years.