

Schaefer Financial Management, Inc.

A Registered Investment Advisor

**7700 East Arapahoe Road, Suite 265
Centennial, CO 80112
(303) 770-6700
FAX (303) 770-1041
www.schaeferfinancial.com**

Purpose

This brochure has been prepared pursuant to Rule 204-3 of the Investment Advisors Act of 1940. It is intended to provide clients and prospective clients of Schaefer Financial Management, Inc. with an overview of our services, methods, compensation, qualifications and conflicts of interest that may exist in any engagement.

Revised February, 2008

Overview

Schaefer Financial Management, Inc. provides financial planning, financial management and investment management services to a variety of clients and to other professional advisors. Our objective in working with each client is to provide the client with information and education so that the client may make better financial decisions geared toward the realization of objectives.

While our services encompass a wide variety of areas, most engagements involve two distinct phases. The first is the development of a financial plan. Rather than relying on boiler plate language and analysis, our focus is on addressing the unique goals and challenges of each client and tailoring strategies to meet those goals on an integrated basis. The second phase of a typical engagement involves the ongoing management, on a non-discretionary basis, of investment assets.

The scope of services provided, and method of compensation, is different for each broad area.

FINANCIAL PLANNING

Scope of Services

In the area of financial planning, we provide a wide range of services to our clients, ranging from single need consultations to comprehensive financial plans designed to integrate every aspect of the client's financial situation. Among the services provided are:

1. Cash flow management and budget counseling.
2. Analysis of debts, including consideration of appropriate consolidation or refinancing strategies.
3. Analysis and recommendations for educational financing.
4. Analysis and recommendations for retirement financing.
5. Analysis of employer provided benefit plans.
6. Risk management analysis, including examination of current insurance coverage (life, health, long-term care, disability, overview of property and casualty).
7. Tax planning, including strategies to reduce current and future taxable income and transfer tax liabilities.
8. Business planning.
9. Review of current estate plan and consultation with counsel regarding appropriate revisions to documents, strategies, etc.
10. Analysis of property ownership arrangements.
11. Development of charitable gifting strategies.
12. Preparation of personal financial statements.
13. Analysis of portfolio holdings and recommendations, as needed, for revisions to client's portfolio strategy.

An engagement may include any or all of the above listed areas. In addition, we will address other areas of client need, if, in our sole and exclusive judgment, we are adequately equipped to competently advise the client in the area in question.

Process

Our approach to financial planning centers around the belief that financial planning is primarily a problem solving process designed to provide clients with superior information with which to make financial decisions. As a result, our planning process is a straight forward, common sense approach to solving problems that includes the following steps:

1. Gathering of data from the client, including information about the client's goals and objectives.
2. Analysis of the data, with particular attention paid to the client's current position in the light of stated goals and objectives.
3. Preparation of a written analysis, including examination of alternative courses of action and a recommended set of steps for the client.
4. A meeting to discuss the analysis and recommendations with the client.
5. Implementation of the plan. Of course, at no time is the client under any obligation to implement, in whole or in part, any of our recommendations, which are purely advisory in nature.
6. Ongoing review of the plan and its implemented steps. While a client is never under any obligation for ongoing, periodic reviews, it is our belief and experience that planning may lose its relevance and validity if changing economic, market and personal circumstances are not accounted for.

It is important to emphasize that each client engagement involves a unique set of circumstances and problems. As a result, no two engagements are alike, and the scope of services provided will vary from client to client. This flexible approach means that computer generated "boiler plate" planning is not part of our process. In addition, we are acutely aware of the need to control costs. By only focusing on those areas of concern for the client, unnecessary work and costs can be eliminated.

Compensation

Compensation for financial planning services is on a fee basis. The **minimum** initial fee for financial planning services is **\$1,500**. Prior to any financial planning work being commenced, we will provide a proposal that outlines the scope of work to be included in the engagement, and our fee for the completion of that work. This turnkey fee quote is designed to eliminate the uncertainty and confusion that is inherent in an hourly billing arrangement. Should the engagement expand, or should there be additional planning work required after the development of the initial plan, such work will be billed at the rate of \$200 per hour. While reviews are not required, they are encouraged. A financial plan is necessarily a dynamic document that should be reviewed as time passes, or circumstances change. When reviews are conducted, they are billed at the rate of \$200 per hour with a four-hour minimum. A deposit of \$500 is required at the time that the Planning Agreement is executed. This deposit is applied, in full, to the planning fee. The engagement may be terminated at any time by either party. Work completed up until the time of termination will be billed at \$200 per hour.

Although it is our preference to develop comprehensive plans, we may from time to time agree to perform consultations on more narrowly focused issues on a one-time basis. Charges for consultations of this type will be billed at the rate of \$200 per hour, with a four-hour minimum charge. Special work, including seminars and presentations, will be handled on a negotiated basis depending upon the nature and complexity of the task.

A prospective planning client should have an investable net worth of \$1,000,000 and/or an annual income of at least \$250,000. *We may, in our sole discretion, waive these minimum requirements.*

Reviews/Reporting

As noted above, while a client is never under any obligation to engage in any sort of ongoing review, it is strongly recommended that the client do so.

The value of financial planning will quickly be lost if a client fails to monitor the progress of their plan or implemented steps. In addition, as economic and personal changes occur, it is necessary to modify assumptions and projections to accurately take these developments into account. This can only be accomplished through a systematic, ongoing review process.

All reviews will be overseen by Jeffrey A. Schaefer, CFP®. It is suggested that reviews take place at least annually and more frequently if client changes dictate. At the present time no regular reports are disseminated to clients regarding their plan or status, other than statements and summaries issued by investment or insurance companies. Please note that these reviews of financial planning issues are separate from the investment plan reviews discussed below.

INVESTMENT MANAGEMENT AND IMPLEMENTATION

While the goals and objectives of any given client will be unique, a common thread that runs through most engagements is the need for investment advice, implementation assistance and ongoing portfolio management. We provide these services via one of two service models, as described below. It is important to bear in mind that implementation of any recommendation that we make is always at the discretion of the client. Schaefer Financial Management, Inc. will never take discretion, dominion or custody of client assets. Moreover, the client is never under any obligation to use our services to implement any or all of the plan. The client may use any insurance agent, stockbroker, attorney or accountant that he desires. If, however, the client desires our assistance with implementation, we will provide such services. At the end of 2007, we managed approximately \$313,000,000 for 291 clients.

Investment Advisory Services – Ongoing Management and Quarterly Reviews

Scope of Services

For most clients, a review of their investment portfolios and the development of recommendations for changes to their portfolio are part of a comprehensive financial plan as described above. At the sole discretion of Schaefer Financial Management, Inc., however, we may provide an initial review of investments and the development of an investment policy consistent with individual needs and objectives as well as ongoing investment supervision on a stand alone basis. In either instance, there are several areas to be addressed in the development of an investment plan, including:

1. Review of present holdings in light of sound investment management practices and individual goals.
2. Development of an investment policy and asset allocation model.
3. Development of an implementation plan including the selection of specific securities.

If a review of the investment portfolio is part of the development of a comprehensive financial plan, the fee for such a review will be included in the financial planning fee quoted above. If the investment planning engagement is a stand alone engagement, a flat fee will be quoted for the development of the investment plan, with a **minimum fee of \$1,500**.

Upon the completion of an investment analysis, Schaefer Financial Management, Inc. will provide assistance with the implementation and ongoing supervision of the client portfolio. While clients will always receive monthly statements from their custodian as well as transaction confirmations, Schaefer Financial Management, Inc. will provide a comprehensive report to each Investment Advisory Client on a

quarterly basis. This report will include an analysis of the portfolio values, asset allocation and performance on both an individual asset and portfolio wide basis. Performance will also be reported on an absolute and relative basis and will be compared to broad market indices.

Fees for investment management services will be computed as a percentage of the assets under management. Assets under management will be determined on the final business day of each quarter, using closing bid prices for all securities as reported by custodians. In the event that a client portfolio contains non-marketable securities (i.e., limited partnerships, etc.), historical cost will be used unless a more reasonable value estimate is available. Quarters will correspond to the client's anniversary date rather than calendar quarters. In the case of fixed income securities, accrued interest may also be considered in computing assets under management. The percentage scale is as follows:

<u>Account Size</u>	<u>Percentage Fee</u>
First \$500,000	1.0%
Next \$500,000	.8%
Next \$1,000,000	.6%
Next \$3,000,000	.4%
Next \$5,000,000	.2%
Above \$10,000,000	Negotiable

Pre-1995 clients may be on an alternative fee schedule and Schaefer Financial Management, Inc. reserves the right to negotiate alternative fee schedules in its sole discretion. Fees are payable in arrears and are billed on a quarterly basis by applying the annual fee to the total assets under management on the last day of the quarter and dividing the result by four (4). Fees will be pro-rated for clients terminating the service during a quarter.

All fees are due and payable in full within ten (10) days of the receipt of an invoice. If the client elects, they may have fees deducted directly from their Schwab account, with a copy of the invoice sent to the client. We retain the right to terminate the investment management agreement for any client whose account is fifteen (15) days past due.

Methodology

At Schaefer Financial Management, Inc. we are not market timers. Instead, we believe that most investors will realize superior results over time by applying the principals of modern portfolio theory to the management of individual portfolios. The focus of modern portfolio theory is necessarily on long-term results. This is consistent with financial planning that emphasizes the realization of goals and objectives rather than the mere accumulation of assets. Our investment management process helps clients to focus on the two key issues in developing a portfolio, time frame and asset allocation.

Time Frame refers to the duration of time that the investor can commit funds for. This dictates a tremendous amount of the structure of a portfolio. For instance, the inherent volatility of stocks makes them an inappropriate investment for an investor whose time frame is less than three years. In contrast, however, the long term growth potential of equities makes them the most important part of the portfolio for an investor with a time frame in excess of five years. Realistically assessing time frame and the level of risk that an investor can take is an important part of the development of an investment plan.

Asset allocation refers to the relative portions of a portfolio that an investor chooses to place in the various broad asset categories. Studies have shown that the asset allocation decision determines over 90% of portfolio performance over time. Security selection and market timing are, by comparison, responsible for less than 10% of performance. The firm's role is to help the client understand this and to develop a suitable allocation model.

Within the broad asset allocation categories that a client establishes, opportunities do exist to make tactical adjustments to portfolio holdings from time to time. These opportunities may present themselves and be recommended as part of the periodic rebalancing of a portfolio. Asset allocation requires that, on a periodic basis, assets in the portfolio be rebalanced to the prescribed category weights. Assets must also be periodically reallocated to account for changes in performance and the correlation of returns between different asset categories. Such rebalancing will generally involve shifting from one mutual fund or security to another. For tax purposes, rebalancing transactions can create taxable income. We are extremely tax sensitive in all of the management work that we do, and our focus is on optimizing each client's after tax return. This may dictate different allocations for a client's taxable and tax deferred (i.e., IRAs, 403(b)s, 401(k)s, Keoghs, SEP IRAs, etc.) accounts.

While we offer our services on either a non-discretionary or a discretionary basis depending upon client preferences, we do not currently have any relationships where we exercise discretion and we do not envision taking on this responsibility. We never have any level of custody over client funds or securities. Non-discretionary clients can, however, grant us the authority to execute orders on their behalf after the client has approved the recommendation. In a typical situation, we will make a recommendation by phone, email or written correspondence. If the client approves of the transaction verbally or in writing, we will accept responsibility for the execution of the order with the client's custodian of choice. After the transaction is completed, the client will receive notification from their custodian via a confirmation statement

For most clients, no-load mutual funds and other pooled types of investment products (i.e., exchange traded funds, variable annuities, etc.) provide the best combination of diversification, professional security selection and convenience. As a result, those are the types of securities that we emphasize. However, from time to time, we may recommend that a client utilize the services of separate account managers to construct portfolios of individual securities. Separate account managers may offer more cost effective investment management services for larger accounts, but their primary advantage involves tax efficiency. With the wide spread that now exists between ordinary income and capital gains tax rates, having a tax efficient portfolio is very important, and for larger accounts, the separate account may be the best way to achieve this tax efficiency.

Individual stocks and bonds may also be used in the implementation of portfolio recommendations. Often, new clients bring with them existing security positions that for investment or tax reasons should remain part of a portfolio. In these instances, our job is to integrate these existing positions within the diversified portfolio and manage them actively. In other instances, individual stocks or bonds may offer a more cost effective way to invest. Finally, tactical opportunities or compelling valuations may point toward the use of individual securities.

The minimum required size for new managed account relationships is \$1,000,000. Family assets will be combined for purposes of meeting this minimum (i.e., spousal accounts, custodial accounts, retirement plans, educational accounts, etc. are combined to determine portfolio size). *Schaefer Financial Management, Inc. may, in its sole discretion, waive this minimum account size.*

Investment Advisory Services – Ongoing Management and Annual Reviews

Some clients are not desirous of, or in need of, regular quarterly reviews of their portfolio. For these clients, services can generally be confined to the development of an investment plan and annual reviews of the portfolio.

In providing these services, the model outlined above for Investment Advisory Services will generally be followed. The firm will perform the following services:

1. Review of present holdings in light of sound investment management practices and individual goals.

2. Development of an investment policy and asset allocation model.
3. Development of an implementation plan including the selection of specific securities.

Once again, most investment analysis will be conducted as part of a comprehensive financial plan. As noted above, if the investment planning engagement is a stand alone engagement, a flat fee will be quoted for the development of the investment plan, with a **minimum fee of \$1,500**.

Upon the completion of an investment analysis, Schaefer Financial Management, Inc. will provide assistance with the implementation and ongoing supervision of the client portfolio. While clients will always receive monthly statements from their custodian as well as transaction confirmation, Schaefer Financial Management, Inc. will provide a comprehensive report to these clients on an annual basis. The month-end anniversary date varies for each client and is set by the Firm and the client at the outset of the engagement. While client holdings will be reviewed throughout the year, this service is intended to be a “buy and hold” approach to the portfolio and will, by extension, not seek to take advantage of the same range of tactical opportunities that may be presented to quarterly review clients. Each annual review report will, however, include an analysis of the portfolio values, asset allocation and performance on both an individual asset and portfolio wide basis. Performance will also be reported on an absolute and relative basis and will be compared to broad market indices. The fee for annual reviews is payable upon billing at the end of the clients annual review year end, is not negotiable and will be .4% of investment assets, with a minimum fee of \$1,000 per year for reviews. Pre-2004 clients may have different minimum annual fees.

Methodology and security selection will be similar to what was discussed above in Investment Advisory Services – Quarterly Reviews.

Insurance Implementation

If a need for insurance coverage in the life or disability area is identified, we will assist clients in the process of shopping for and purchasing suitable coverage. The process of comparison shopping for insurance coverage is time intensive since it involves the comparison of many variables and a good deal of data. We will generally charge on an hourly basis at the rate of \$200 per hour for our assistance in this area, with a minimum charge of \$500. If insurance planning is part of the development of a larger financial plan, the fee for insurance planning may be bundled with the planning fee. We do not maintain insurance licenses and make recommendations to clients for no-load insurance coverage or refer our clients to licensed insurance agents for specialty products.

Sources of Information

In providing financial planning and investment advisory services to our clients, we rely on many sources of information. We do not, however, rely on any “soft dollar” arrangements for research. “Soft dollars” refer to the practice of directing brokerage commissions to particular broker dealers in exchange for credits to be applied to research or technology services.

The following lists those services that is, by its nature, comprehensive but not complete:

- Wall Street Journal
- Barrons
- Quote.com
- BNA Tax Portfolios
- Commerce Clearing House Financial and Estate Planning Reporter
- Morningstar Mutual Funds
- Morningstar Variable Annuities
- Morningstar Stock Investor
- CFP Today

BNA Tax Management-Income Tax Projection Software
Bloomberg Wealth Manager
Investment Advisor
Investors FastTrack
Advisor Intelligence
Bank Credit Analyst
Bianco Research
Ned Davis Research

In addition, we will rely heavily upon information obtained directly from mutual funds in the form of periodic reports and news releases. Most importantly, we rely on contact with managers, either in person or via phone, to help evaluate fund choices.

Tax Compliance

For certain existing clients, we provide income tax return preparation services or supervision of the preparation of income tax returns. For new clients, however, we do not offer income tax return preparation services.

Affiliations/Potential Conflicts of Interest

Schaefer Financial Management, Inc. is a Colorado corporation. Jeffrey A. Schaefer, CFP® is the President and sole shareholder of Schaefer Financial Management, Inc. In the course of our business, we maintain a number of relationships which are material to our operations. At the present time, however, none of these should represent any conflict of interest to any client, as we maintain no licenses for the sale of any product including securities and insurance. *We are a fee only financial advisor.*

From time to time, we may refer clients to outside service providers including attorneys, accountants, mortgage bankers, insurance agents or other professionals. Charges for services from these providers will be billed directly to the client from the provider and will be the client's expense entirely. We do not accept any payments from any third party for any referrals.

From time to time, we may engage individuals to act as solicitors on our behalf. At the present time, we do not have any active solicitor's agreements in effect. Full disclosure of any solicitor's agreement is made to any client referred by a solicitor, and in no event would total fees for a client referred by a solicitor be greater than for any other client of Schaefer Financial Management, Inc.

Schaefer Financial Management, Inc. recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Schaefer is independently owned and operated and not affiliated with Schwab. Schwab provides Schaefer with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's client's assets is maintained in accounts at Schwab Institutional and are not contingent upon Schaefer committing any specific amount of business to Schwab. Schwab's services include brokerage, 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.

For Schaefer's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to Schaefer other products and services that benefit Schaefer but may not benefit its clients' accounts. Some of these other products and services assist Schaefer in managing and

administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and statements); facilitate trade execution; provide research, pricing information and other market data; facilitate payment of Schaefer's fees from its clients' accounts; assist with back office functions: recordkeeping; and client reporting. Many of these services generally may be used to service all or a substantial number of Schaefer's accounts, including accounts not maintained at Schwab Institutional. Schwab also makes available to Schaefer other services intended to help Schaefer manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to Schaefer by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of the third party providing these services to Schaefer. While as a fiduciary, Schaefer endeavors to act in its clients' best interest, Schaefer's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Schaefer of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Schwab is the only custodian that we recommend at this time, although we periodically review the marketplace for alternative custodial relationships. While each client retains the right to select any custodian or broker dealer of their choice, Schaefer Financial Management, Inc. retains the right to terminate any investment management relationship based upon the client's choice of custodian.

If a client follows our recommendation and establishes a custodial relationship at Schwab, we will assist in this process and act as the intermediary in transmitting instructions to Schwab. By granting to Schaefer Financial Management, Inc. a limited power of attorney over the account, Schwab will accept instructions from our office and will provide us with duplicate confirmations and statements as well as electronic access to account information. Any commissions or transaction fees that the client pays to Schwab are not shared with Schaefer Financial Management, Inc. in any way and are the sole responsibility of the Client. Because of the volume of business that Schaefer Financial Management, Inc. does with Schwab, our clients enjoy lower commissions than a retail investor would at Schwab. Please note that in purchasing no-load mutual funds, a Client will pay a proportionate share of the fund's operating costs.

At no time is any client under any obligation to purchase any financial product that we recommend. The decision about where and whether to make product purchases rests entirely with the client. At no time will we exercise any type of discretionary control over a client account.

From time to time, we may recommend that a client purchase or sell a security in which we are also investors. In general, when this occurs, it will be related to the pooled types of investments described earlier and any positions that we hold will not be of material significance. There may be instances, however, when we will recommend to the client the purchase or sale of individual securities that we have a position in. Once again, our holdings and activity will not be material to the positions in question. Individual holdings may differ from client holdings due to the fact that each client's portfolio and needs are unique. In addition, our individual portfolio may reflect a more aggressive posture than client portfolios because of our greater understanding of the financial markets.

In order to further protect the interest of clients, Schaefer Financial Management, Inc. has implemented an investment policy relative to personal securities trading and insider trading. This investment policy is part of the firm's overall Code of Ethics which serves to establish a standard of business conduct for all of our employees that is based upon the fundamental principles of openness, integrity, honesty and trust. A copy of the Code of Ethics is available upon request.

Should Jeffrey A. Schaefer, CFP[®] be unable to perform his duties as President, the ability of the firm to provide services to clients would be adversely impacted over the intermediate to long term. Jeffrey A. Schaefer has entered into a Client Transition Agreement with Judith Shine, President of Shine Investment Advisory Services, Inc. effective October 3, 2005. The agreement provides for an orderly transition of

clients to Shine Investment Advisory Services, Inc. Clients are not obligated to utilize Shine's service, but the agreement is intended to provide for reasonable continuity of service and high quality advice and counsel in the event that Jeffrey A. Schaefer is disabled or deceased.

It is the policy of Schaefer Financial Management, Inc. that this policy will be reviewed not less than annually and updated as necessary.

Background and Credentials of Professional Staff

In selecting a financial advisor, one of the key concerns for a client should be the advisor's qualifications and credentials. At the present time, Schaefer Financial Management, Inc. employs five Certified Financial Planners™ and one Investment Advisor Representative pursuing the CFP® certification. In order to maintain the quality of advice being provided to our clients, any staff member who joins our firm must have a college degree. In addition, we require that all employees in a professional capacity either have, or to be working toward, a relevant professional designation (i.e., CFP®, CPA).

Jeffrey A. Schaefer, CFP®

I am a Certified Financial Planner™ professional. The CFP® mark is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP® mark, I have completed an educational program and passed a series of six examinations. In addition, to receive the CFP® certification, a candidate must have at least three years of planning experience. I have been in practice for the past eighteen years. Finally, I have agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain my designation.

My undergraduate degree is from the University of Colorado, Boulder. I graduated Magna Cum Laude in May 1986 with a Bachelor of Science in Finance. I have also earned a Master of Science in Accounting with an emphasis in Taxation from the University of Colorado, Boulder in 1990.

In terms of work history, my entire career has been spent in the financial services industry. From August 1987 through February 1990, I maintained a financial planning practice operated as Capital Financial Management. My partner and I dissolved that practice in February 1990 and I commenced operations as Schaefer Financial Management. My practice was incorporated as Schaefer Financial Management, Inc. in 2001.

Prior to forming Capital Financial Management, from May 1986, through August 1987, I was affiliated with Financial Architects, Inc. Financial Architects was a registered investment advisor providing financial planning and insurance products. My duties included financial planning and administration. From May 1985 through May 1986, I was affiliated with Financial Services Group of Colorado, an insurance agency providing financial planning services. And, prior to that, I was a registered representative with B.J. Leonard & Company, Inc., an NASD member broker dealer.

I am a member of the National Association of Securities Dealers (NASD) Board of Arbitrators, a panel of industry members who aid in the resolution of disputes involving securities matters.

In 1996, 1997, 1998, 1999, 2001 and 2002 I was honored to be recognized as one of America's Top Financial Advisors by Worth Magazine. No list was published in 2000. The Denver Business Journal named me one of its top wealth advisors in Colorado for 2007.

In order to further my own professional development, I have published several articles on financial planning topics including "Tax Planning for Marital Dissolution" which appeared in Personal Financial Planning, and "Financing a College Education - When You Are too Late to Accumulate" which appeared in Financial and Estate Planning.

Andrea N. Searle, CFP®

I am a Certified Financial Planner™ professional. The CFP® mark is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP® mark, I have completed an educational program and passed a series of six examinations. In addition, to receive the CFP® certification, a candidate must have at least three years of planning experience. I have been in the practice for the past ten years. Finally, I have agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain my designation.

My undergraduate degree is from the University of Colorado, Boulder. I graduated in May 1994 with a Bachelor of Science in Accounting.

In terms of work history, I have significant experience in financial planning. In January of 2001, I started working for Schaefer Financial Management, Inc. Prior to working for Schaefer Financial Management, Inc., from May 1999 through December 2000, I was an investment analyst with Envestnet Asset Management (formerly known as Portfolio Management Consultants, Inc.). Portfolio Management Consultants provided a platform of separate account managers for investment advisors to use in their clients' portfolios. I performed due diligence and investment analysis on separate account managers that would be listed on the platform. From January 1997 through May 1999, I was affiliated with AMG Guaranty Trust (Formerly known as Asset Management Group), an investment advisory firm providing investment and financial services. I performed financial planning and portfolio management services. Prior to that, from September 1994 through December 1996, I worked for Arthur Andersen, LLP in their tax department. At that time, Arthur Andersen, LLP was one of the big six accounting firms. I performed duties in both taxation and financial planning. I attended, on an annual basis, Arthur Andersen's worldwide training center to further my education in tax and financial planning.

Kirsten S. Hollander, CFP®

I am a Certified Financial Planner™ professional. The CFP® mark is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP® mark, I have completed a rigorous educational program and passed a series of six examinations. In addition, to receive the CFP® certification, a candidate must have at least three years of planning experience. I have been in the financial services industry for the past twelve years. Finally, I have agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain by designation.

My undergraduate degree is from Middlebury College in Middlebury, Vermont. I graduated in May 1993 with a Bachelor of the Arts in Biology and Psychology.

In terms of work history, I have significant experience in the financial services industry. In February of 2007, I started working for Schaefer Financial Management, Inc. Prior to working for Schaefer Financial Management, Inc., from January 2004 through January 2007, I was a Financial Planner with Financially Speaking, Inc. Financially Speaking, Inc. is an independent fee-only financial planning and investment advisory firm. I was responsible for client service, gathering data and inputting that information for financial plans, and implementing the plans.

From March 2000 through December 2003, I was a Retirement Plan and Senior Financial Advisor for AIG Valic, a company specializing in providing and servicing retirement plans in the K-12 public school market place. They provided financial planning services to their retirement plan participants.

Prior to that, from November 1994 through February 2000, I worked for Founders Asset Management, Inc. (now Dreyfus Founders Funds). I began my career at Founders in the client service department, but soon moved to the institutional marketing department, where I was a Regional Marketing Manager, supporting and marketing to institutional clients.

Garry L. Patrick, CFP®

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My undergraduate degree is from the University of Colorado, Boulder. I attended the University on an Evans scholarship and graduated in December 1975 with a Bachelor of Arts in History and Geography.

Immediately before starting at Schaefer Financial Management in March of 2008 I was with the Charles Schwab Corporation for the previous 10 years. I was an Investment Advisor in Schwab's fee based advice group, Private Client, for the preceding 5 years.

Prior to working in the financial services industry I owned and operated numerous retail businesses in California, Arizona and Colorado. From 1978 to 1998 I owned a Luggage and Leather Goods store and a Commercial Stationery business in Southern California and a Dry Cleaning business in Highlands Ranch.

Rebecca A. Aardal, CFP®

I am a Certified Financial Planner™ professional. The CFP® mark is a professional designation granted by the Certified Financial Planner Board of Standards, Inc. To secure the right to use the CFP® mark, I have completed an educational program and passed a series of six examinations. In addition, to receive the CFP® certification, a candidate must have at least three years of planning experience. I have been in the practice for the past ten years. Finally, I have agreed to be bound by a strict Code of Ethics and to complete required continuing education to maintain my designation.

My undergraduate degree is from Colorado State University in Fort Collins. I graduated in May 1997 with a Bachelor of Science in Business Administration with a major in finance.

In terms of work history, I have significant experience in financial planning. In 1995 I completed an internship with Schaefer Financial Management and then in January of 1998, I started working for Schaefer Financial Management, Inc. full time. I left briefly in 2002-2003 and moved to Tacoma, Washington where I worked for the Tacoma Art Museum as the database manager and also at the Business Computer Training Institute where I assisted students with financial aid. Upon my return from Washington I resumed my role with Schaefer Financial Management.

Lowell C. Hansen

I received my undergraduate degree from Colorado State University, in Fort Collins. I graduated in 1985 with a Bachelor of Science in Finance.

In terms of work history, I have significant experience in the securities industry as well as running a small business. Prior to joining Schaefer Financial Management, I was Vice President at Dreyfus Institutional Marketing Group supporting relationships in the non-proprietary insurance and 401k channels in the western half of the United States. Before joining Dreyfus in 2002, I was Senior Vice President and Principal at Undiscovered Managers, LLC where I marketed mutual funds and separate accounts to registered investment advisors and broker/dealers in the western United States. From 1992 to 1997, I ran our family's transportation business located in the midwest. Prior to that, I became securities licensed and traded municipal bonds for Wolfe & Hurst in San Francisco, California.

Proxy Voting

Schaefer Financial Management, Inc. (“Schaefer”) has adopted the following proxy voting policy with respect to those assets for which a client has vested Schaefer with discretionary investment management authority (the “assets”).

Schaefer’s Policy

Unless a client directs otherwise, in writing, Schaefer shall be responsible for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the assets. Schaefer and/or the client shall correspondingly instruct each custodian of the assets to forward to Schaefer copies of all proxies and shareholder communications relating to the assets. Absent mitigating circumstances and/or conflicts of interest (to the extent any such circumstance or conflict is presented, if ever, information pertaining to how Schaefer addressed any such circumstance or conflict shall be maintained by Schaefer), it is Schaefer’s general policy to vote proxies consistent with the recommendation of the senior management of the issuer. Schaefer shall monitor corporate actions of individual issuers and investment companies consistent with Schaefer’s fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Schaefer may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Schaefer may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Schaefer shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act.

Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Schaefer voted on any specific proxy issue is also available upon written request. Any questions regarding Schaefer’s proxy voting policy shall be directed to Jeffrey Schaefer at the Schaefer office.