

*Your vision. Our guidance.*



# LODESTAR

PRIVATE ASSET MANAGEMENT LLC

## **Firm Brochure**

(Representing Part 2A of Form ADV)

### **Lodestar Private Asset Management LLC**

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This brochure provides information about the qualifications and business practices of Lodestar Private Asset Management LLC. If you have any questions about the contents of this brochure, please contact us at: (925) 838-1234, or by email at [info@lodestarpam.com](mailto:info@lodestarpam.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Additional information about Lodestar is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

As of December 31, 2011

Updated March, 2012

## **Material Changes**

### **Annual Update**

The Material Changes section of this brochure is updated annually and as necessary when material changes are made to the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

This updated Form ADV Part 2A contains the following changes from the prior version:

- Routine revisions and updates to formatting.
- Non-material edits to the existing descriptions of prior disclosures.
- Updated assets under management information in the description of the Firm's advisory business on page 2.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by phone at: (925) 838-1234, or by email at [info@lodestarpam.com](mailto:info@lodestarpam.com).

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## **Advisory Business**

### **Firm Description**

Lodestar Private Asset Management LLC, (“Lodestar” or “Advisor”) was formerly known as Retirement Benefits Planning, LLC, which was founded in 1980. In 2006, the firm adopted its current name.

Lodestar provides personalized confidential financial planning and investment management to individuals, trusts, estates, charitable organizations and small businesses. Lodestar also provides investment management and consulting to pension and profit-sharing plans.

Financial and investment advice may include a wide range of services, including:

- obtaining background information about Client, including Client’s goals, risk tolerance, and cash flow needs
- building and maintaining a set of computer models depicting Client’s financial situation and plan
- developing with Client an Achievements & Actions list identifying important tasks and milestones
- describing the tailored investment program for Client in an Investment Policy Statement
- reviewing Client's portfolio and making recommendations for buying, selling or holding assets
- regularly reviewing Client’s asset allocation and making adjustments by trading securities on a discretionary basis
- voting proxies for securities in Client’s accounts (except accounts governed by ERISA)
- being authorized to aggregate securities trades for a group of Clients and then allocating those trades
- utilizing sub-advisors as portfolio managers who manage separate “sub-accounts” for Clients

Lodestar is a fee-only financial planning and investment management firm. The firm does not sell for commissions annuities, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions are accepted by the Firm<sup>1</sup>. No finder’s fees are accepted.

Investment advice is an integral part of financial planning, and is generally provided on a discretionary basis pursuant to a customized Investment Policy Statement approved by the Client. In addition, Lodestar may advise Clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

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<sup>1</sup> Commissions resulting from the sale of life and long-term care insurance policies may be accepted by certain individual Firm employees. See Item

Lodestar does not act as a custodian of Client assets. The Client always retains full title to his or her assets and maintains control of the investment accounts. Lodestar does not withdraw funds from Client accounts without specific written permission. Trades are placed for Clients under a limited power of attorney. Securities transactions are executed without obtaining Client approval beforehand. This allows more timely and cost-effective purchases and sales of Client securities.

Lodestar provides investment guidance, but does not maintain investment discretion for institutional 401(k) plans.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the Client on an as-needed basis. Conflicts of interest will be disclosed to the Client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the Client.

### **Principal Owners**

Randall L. Manley is the Managing Principal and a majority equity owner of Lodestar. Scott C. Miller is a Principal of Lodestar and retains an equity interest in the firm. Manley Group, Inc. is a passive equity owner of Lodestar.

### **Types of Advisory Services**

Lodestar provides investment supervisory services, also known as asset management services, and furnishes investment advice through consultations. Lodestar also furnishes advice to Clients on matters not involving securities, such as financial planning matters covering cash flows, risk tolerance, and various insurance issues. In addition, Lodestar helps Clients with taxation issues and trust services that often include estate planning; however, Lodestar does not provide tax or legal advice.

As of December 31, 2011, Lodestar managed approximately \$296,436,485 million in assets for approximately 658 clients. Approximately \$274,439,002 million is managed on a discretionary basis, and \$21,997,483 million involves investment supervisory services on a non-discretionary basis.

### **Tailored Relationships**

The goals and objectives for each Client are documented in the Advisor's client relationship management system. Individual investment policy statements are created that reflect a Client's stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without Client consent.

### **Types of Agreements**

Lodestar provides advisory services under a Wealth Management Agreement, Investment Management Agreement, a Financial Planning Agreement or an Investment



Supervisory Agreement involving a qualified retirement plan. Subsequent sections provide details for these different engagements.

### **Asset Management / Wealth Management**

Lodestar provides financial advice and investment services for individuals and related trusts and custodial accounts. Lodestar operates through its Investment Advisor Representatives, who are Principals or Associate Principals of the firm, listed at the back of this brochure (Brochure Supplement B). The Investment Advisor Representative personally meets with each Client and determines and evaluates his or her financial circumstances and investment objectives.

The Advisor creates one or more Investment Policy Statements to define an investment management program tailored to the Client's needs. The program is usually implemented on a discretionary basis. The management program may include investments in equities, bonds, cash-equivalents, separate account managers, options, and other instruments, including pooled investment vehicles, such as mutual funds that use a broad range of securities including futures, options and derivatives. As part of the service, Lodestar monitors performance and the investment markets, and reallocates Clients' assets among investments so as to meet Client's long-term objectives.

Quarterly reports are generated and delivered to Clients electronically or through the U.S. mail. Lodestar, through its Investment Advisor Representatives, meets with Clients regularly or on an exception basis at Client's request. Newsletters and other market or financial planning commentary are mailed to Clients on a regular basis.

For investment management or supervisory services, compensation is derived as fee income based upon a percentage of assets under management. The compensation method is explained and agreed upon in writing in advance before any services are rendered. Depending on the services engaged by Client, percentage fees range up to 1.15% per year of the total amount of assets under the Advisor's management. An example of a current fee schedule for Wealth Management services is shown below, followed by a current fee schedule for Investment Management services.

### **Annualized Fees for Wealth Management**

First \$1,000,000	1.15%
Next \$1,000,000	0.95%
Next \$3,000,000	0.80%
Next \$5,000,000	0.70%
Over \$10,000,000	Negotiable
Minimum Quarterly On-Going Advisory Fee	\$1,500

### **Annualized Fees for Investment Management**

First \$1,000,000	0.95%
Next \$1,000,000	0.80%

Next \$3,000,000	0.70%
Next \$5,000,000	0.60%
Over \$10,000,000	Negotiable
Minimum Quarterly On-Going Advisory Fee	\$1,500

Wealth Management Fees are higher because they include more comprehensive services. These services include:

- multiple discussions to define personal goals and cash flow needs
- creation and maintenance of customized financial models with multiple “what if” scenarios
- an updated list of important action items on a range of financial issues
- year-end tax planning
- coordination with tax professionals and estate planning attorneys, and
- incorporation of philanthropic goals and strategies

The fee schedules above decline at specified increasing asset levels. They have changed over time so some Clients pay more or less than other Clients with the same amount of assets under management. In addition, Investment Advisor Representatives associated with Lodestar do not all maintain exactly the same fee schedule. Instead, each Investment Advisor Representative has the freedom to negotiate fees with Clients, subject to company approval. Therefore, a Client that receives substantially similar service may be paying more or less than other Clients.

Lodestar imposes a minimum quarterly fee to accounts receiving ongoing asset management services. The standard minimum fee charged is shown above, but it may also be negotiated with the Client. Accounts with a small balance may pay a higher annual fee than those normally charged by other investment advisors. All transaction costs such as commissions and transaction fees are not included in the advisory fees (see Fee Collection below). Advisory fees are in addition to any transaction costs, commissions, margin interest, asset management fees or other charges imposed by the custodian or brokerage firm (e.g., Charles Schwab & Co., Inc.) or by sub-advisors or mutual funds in the account, which are separately deducted from the account.

### **Additional Advisory Charges**

Lodestar charges an initial fee (negotiated with Client), pursuant to its written agreement, when preparing a personalized cash flow analysis and plan. The cash flow analysis includes a personalized written income and expense projection and a tailored Investment Policy Statement. Hourly charges may be imposed for certain research, such as investigating the basis of existing securities positions. These charges are currently \$65 per hour. In addition, Lodestar may assess a fee of 40 basis points on all new deposits to a Client account, not to exceed a maximum amount per quarter (currently \$1,750), as defined in the Investment Advisory Agreement. This implementation fee compensates Lodestar for the work involved in evaluating the

Client's asset allocation and the selection and implementation of investment vehicles for the deposited funds or securities.

### **Asset Management Services Using Separate Managed Accounts**

As an independent registered advisory firm, Lodestar offers a managed account program under which Lodestar can select and monitor institutional money managers that are recommended to Clients. Lodestar identifies various categories of separate account money managers ("SAM") that are believed compatible with the Client's investment objectives, risk tolerance, and other criteria. Lodestar coordinates the implementation of the portfolio, monitors the portfolio for performance, attempts to ensure compliance with the investment guidelines, and assesses material changes relating to the money manager. In most cases, Lodestar reserves the authority to hire or fire money managers on behalf of the Client. The money managers recommended to Clients have full investment discretion and trading authority, and have sole responsibility for the implementation of their portion of the investment program.

Lodestar recommends separate managed account programs through Charles Schwab's Managed Account Select (MAS) program, TD Ameritrade's Managed Account Solution (MAS) and Genworth Financial Wealth Management's Active Return Opportunities (ARO). Schwab, TD Ameritrade and GFWM are considered platform sponsors ("Sponsors") of separate managed account programs (Program). Clients pay a single asset-based fee to the Sponsor, instead of commissions, to participate in the Program, in addition to their investment advisory fee to Lodestar.

The asset based fee, ranging from 0.40% to 1.40%, covers services provided by the Sponsor and the SAM, including custody, certain reporting functions, execution of transactions, Program administration, and the SAM's discretionary investment management services. In addition to the Program fee, the Sponsor and its affiliates may receive separate compensation for some transactions and services. The amount of the fee paid to the Sponsor is based on the amount of assets in the program. Clients have the opportunity to impose reasonable restrictions on each SAM, such as restricting the purchase or sale of specified securities, or the timing of gains or losses in their accounts. The decision to enter a SAM program with a sponsor is an option to the Client, made with the advice and assistance of Lodestar.

For investment supervisory services using a SAM, Lodestar's compensation is derived as fee income based upon a percentage of assets under management. Under its billing agreement, Lodestar treats assets invested with a SAM like other managed assets.

### **Financial Planning Services**

Lodestar provides a wide array of general personal financial planning services in addition to investment advisory services. Services available through Lodestar include, but are not limited to, retirement planning, cash-flow analysis, estate planning, professional portfolio review, charitable gift planning, college funding, stock option planning, insurance analysis, debt management, and employer benefits review.

Lodestar collects pertinent data from the Client through personal interviews and written questionnaires. An interactive computer model is usually created and reviewed with the Client. In some cases, a written summary is provided to the Client highlighting specific recommendations. In most cases, these financial planning services are conducted as part of the investment advisory engagement. However, from time to time, Lodestar may decide to provide solely financial planning services apart from money management. In these cases, fees for Planning Services range from \$125 to \$425 per hour (calculated on 15 minute billing intervals), based on the Investment Advisor Representative's experience and the complexity of the Client's financial issues. Such fees are mutually agreed upon in writing by the Client and Advisor, with a portion of the fees due upon signing the agreement and the balance payable when services are rendered. Lodestar also may provide planning services on a fixed fee basis in lieu of an hourly fee. Fixed fees are negotiated with the Client before performing any service. Past due balances (after 30 days from receipt of billing) will accrue interest at 18% per annum or the highest legal rate permissible, whichever is lesser.

The above fee does not include any other fees that may be charged by other advisors such as attorneys and/or accountants. With the prior consent of the Client, these other advisors may be retained to advise in connection with the planning process. Agreements for their services and their billings are entirely separate from Lodestar's agreement.

The financial plan is normally completed within six months—often sooner—of the date of the Agreement. The Advisor normally considers fees for financial planning or a consulting project to be earned as progress is realized toward creation of the plan or completion of the service. Under no circumstances will the Advisor earn fees in excess of \$500 more than six months in advance of services rendered.

Comparable services are available elsewhere at higher or lower costs. Fees may vary from the guidelines above due to particular circumstances of the Client or as otherwise negotiated with particular Clients.

#### **Termination of Agreement & Past Due Balances**

Lodestar's service may be terminated by either party at any time upon 5 business day's written notification in accordance with the applicable contractual notice of termination. Notice to Client is made to the last address of record in Lodestar's files, and notice to Lodestar is made to Lodestar at its listed business address. The Client is responsible to pay for services rendered until the termination of the agreement. Upon termination, the fees charged for advisory services are pro-rated and a refund for any unearned fees is issued. The Client can cancel the Agreement unconditionally without penalty within the first five days after the signing of the Agreement and receive a full refund of all fees paid to that point.

## **Fees**

### **Fee Collection**

Fees may be paid directly by Client, or, more often, may be deducted directly from the Client's brokerage account pursuant to a written agreement. Investment advisory services begin with the effective date of the Agreement, which is the date the Client signs the Investment Advisory Agreement. Trades may not be made in Client accounts until an Investment Policy Statement is finalized and a majority of the account assets are transferred under Lodestar's discretion. For the initial calendar quarter, fees are adjusted pro rata based upon the number of calendar days in the calendar quarter that the Agreement was effective.

Lodestar's fees are generally paid quarterly, usually in arrears, as negotiated with the Client and consistent with the terms of the advisory agreement. Fees are usually based on the final value of the account as of the end of the quarter (using the trade date, not settlement date). Accounts utilizing margin at the end of the quarter are assessed fees on the leveraged balance (not reduced by the amount of the debt).

Each Client account is subject to a minimum quarterly fee. Accounts with a small balance may pay at a higher annual rate than those charged by other investment advisors. All transaction costs such as commissions and transaction fees are not included in the advisory fees.

Clients should be aware of their responsibility to verify the accuracy of the fee calculation submitted to the custodian by Lodestar, as the custodian will not determine whether the fee has been properly calculated. Each quarter, Lodestar provides the investment supervisory Client with a detailed invoice, setting forth the basis for the fee calculation.

### **Other Fees**

Advisory fees charged by Lodestar are separate and distinct from fees and expenses charged by mutual funds or other investment vehicles that may be used in the Client's portfolio. A description of these fees and expenses are available in each fund's prospectus, or offering circular.

Mutual funds generally charge a management fee for their services as investment managers. The management fee is incorporated into the mutual fund's "expense ratio." For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% or ½ of 1% for their management and administrative services. These fees are in addition to the fees paid by Client to Lodestar.

Advisory fees charged by Lodestar are also separate from any commissions or transaction charges assessed by the custodian or brokerage firm. Custodians charge commissions on stock and bond trades. They may also charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. Lodestar considers the selection of the security to be far more important than

the nominal charge that the custodian assesses to buy or sell the security. Lodestar does not benefit from these transaction fees.

Performance figures quoted by mutual fund companies in various publications are net of their fees, or after their fees have been deducted.

### **Performance-Based Fees**

Lodestar does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the Advisor to recommend an investment that may carry a higher degree of risk to the Client than is warranted.

## **Types of Clients**

### **Description**

Lodestar generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, and corporations or business entities.

Client relationships vary in scope and length of service.

### **Account Minimums**

The minimum account size is \$500,000 of assets under management.

Lodestar has the discretion to waive the account minimum. Accounts of less than \$500,000 may be set up when the Client and the Advisor anticipate the Client will add additional funds to the accounts bringing the total to \$500,000 within a reasonable time. Other exceptions may apply to employees of Lodestar and their relatives, or relatives of existing Clients.

Clients receiving ongoing investment management services are subject to a \$1,500 minimum quarterly fee. Clients with assets below the minimum account size pay a higher percentage rate on their annual fees than the fees paid by Clients with greater assets under management.

Lodestar, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.).

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis & Sources of Information**

Advisor uses a variety of sources to implement investment strategies. In general, these are long-term holding strategies with relatively low amounts of trading.

Special attention is given to the tax consequences of trades in taxable accounts to help improve the Client's tax liability for that tax year. For certain Clients, Advisor may build a

stock portfolio as a portion of the overall Client portfolio. The company and stock research for the stock portfolio is based on identifying companies with a sustainable competitive advantage, whose stock price is trading significantly below its perceived fair value. Sources of data include Morningstar, MSN Money, Charles Schwab and Co., Standard and Poors, Advisor Intelligence, SentimentTrader.com, econ.yale.edu/~shiller, dshort.com, bespokeinvest.com, and other sites on the World Wide Web. Resources will change over time.

### **Investment Strategies**

The primary investment strategy used with discretionary accounts is tactical asset allocation. Both passive investments (such as index funds and certain Exchange Traded Funds) and actively managed investments (such as most mutual funds and Separate Account Managers) are used to build an overall asset allocation approach consistent with the Client's goals and objectives. Based on certain market metrics, equities (stocks) and volatile holdings are increased or decreased on a tactical basis as Lodestar deems appropriate. Portfolios are globally diversified to help reduce the risk associated with traditional securities markets. The Advisor may make tactical adjustments that hurt rather than help performance. In addition, investment vehicles could be selected that under-perform or decline in unexpected ways.

The investment strategy for a specific Client is based upon the objectives stated by the Client during consultations. The Client may change these objectives at any time. Each Client approves a customized Investment Policy Statement that documents their objectives and their desired investment strategy.

Relatively aggressive investment strategies that may be adopted under certain circumstances are margin transactions and option-writing (including covered options, uncovered options or spreading strategies). These strategies require special consideration and written approval and paperwork from the Client before being utilized.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Lodestar's investment approach attempts to constrain the risk of loss. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When inflation is present, a dollar will buy less in the future, because purchasing power is eroding at the rate of inflation. This can have negative effects on the stock and bond markets.

- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk. An investment may appreciate in the foreign country but be worth less when converted to dollars.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and having it brought to market — a lengthy process — before they can generate a profit. They carry a higher risk of profitability than an electric utility company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Disciplinary Information**

### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment Clients.

## **Other Financial Industry Activities and Affiliations**

### **Financial Industry Activities**

Two Investment Advisor Representatives are actively engaged in a business other than giving investment advice.

- Randall L. Manley is a licensed (but inactive) attorney and provides various consulting services through Manley Group Inc., a California corporation. Mr. Manley spends the majority of his time providing investment services.
- Stephan A. Werth is a licensed, certified public accountant as well as a certified fraud examiner. He provides financial consulting for businesses and receiverships.

Investment Advisor Representatives may spend some time engaged in activities outside of the business of rendering investment advice. Often this activity is an accommodation



to existing Clients or to referrals who do not qualify for advisory services, or who are in need of more comprehensive financial planning.

Certain Firm employees, as individuals, may sell certain insurance products, such as life, long-term care and disability insurance policies to Firm clients. In these cases, an employee of the Firm may receive commissions on the insurance products sold. This can lead to a potential conflict of interest with advisory Clients' interests. A Client is under no obligation, contractual or otherwise, to engage a Firm employee to purchase insurance products on their behalf. Commissions received by individual employees are disclosed to Clients in the quarterly invoice following receipt of such commission.

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

### **Code of Ethics**

Lodestar has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Advisor and its personnel owe a duty of loyalty, fairness and good faith towards their Clients, and the obligation to adhere not only to the specific provisions of the Code but to the general principles that guide the Code.

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

The Advisor will provide a copy of the Code to any Client or prospective Client upon request.

### **Participation or Interest in Client Transactions**

Lodestar has adopted a Code of Ethics, predicated on the principle that it owes a fiduciary duty to all its Clients. Accordingly, Lodestar's Investment Advisor Representatives and employees must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of its Clients. At all times, Lodestar must:

1. Place Client interests ahead of the firm, its Investment Advisor Representatives and employees; Lodestar employees may not benefit at the expense of advisory Clients.
2. Engage in personal investing that is in compliance with Lodestar's Code of Ethics.
3. Avoid taking advantage of its advisory position; employees must not accept investment opportunities, gifts or other gratuities from individuals seeking to conduct business with Lodestar, or on behalf of a Client.

Investment Advisor Representatives and employees of Lodestar are permitted to buy and sell the same securities that may be recommended to or traded on

behalf of Clients, but priority is given to the Client's orders over the orders of an Investment Advisor Representative. If the possibility of a conflict of interest occurs, the Client's interest prevail.

As this situation may represent a conflict of interest, Lodestar has established the following restrictions to ensure its fiduciary responsibilities:

1. An Investment Advisor Representative or employee of Lodestar shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. Each Investment Advisor Representative and employee of Lodestar shall not put his or her own interest above that of Lodestar's advisory Clients.
2. Lodestar emphasizes the unrestricted right of the Client to decline to implement any advice rendered by Lodestar.
3. Lodestar requires that its Investment Advisor Representatives and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Any individual not in observance of the above may be subject to termination.

### **Personal Trading**

The Chief Compliance Officer of Lodestar is Randall L. Manley. He reviews all employee trades each quarter. His trades are reviewed by Scott C. Miller. The personal trading reviews help ensure that the personal trading of employees does not affect the markets, and that Clients receive preferential treatment. Since most employee trades involve mutual funds or exchange-traded funds, the securities markets are not affected and the potential for abuse is limited.

### **Brokerage Practices**

#### **Selecting Brokerage Firms**

Lodestar does not have any affiliation with product sales firms. Specific custodian recommendations are made to Clients based on their need for such services. Lodestar recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

Lodestar recommends discount brokerage firms and trust companies (qualified custodians), such as Charles Schwab Institutional or TD Ameritrade Institutional.

Lodestar does not receive fees or commissions from any of these arrangements.

#### **Suggestion of a Brokerage Firm**

Lodestar prefers Clients to utilize a broker with which the Advisor has an established relationship. Therefore, the Advisor will suggest certain brokers to Clients. Clients are then free to select from that group of brokers.

Lodestar attempts to negotiate discounted commissions on Client trades to reduce transaction costs. Clients of Lodestar are aware of the amount of the commissions paid in their accounts, but are not involved in the negotiation of commission rates applied to transactions in their accounts.

In connection with its advisory services, Lodestar generally recommends that Clients utilize the custodial capabilities of Charles Schwab & Company, TD Ameritrade, or Genworth Financial Wealth Management (GFWM), FINRA registered broker-dealers and members of SIPC, to maintain custody of clients' assets and to effect trades for their accounts. For trade executions, if the Client directs Lodestar to use a particular broker-dealer other than the above, Lodestar may not be able to negotiate discounted commissions comparable to commission rates available elsewhere, and Client may in that case pay more for their transactions. Lodestar is independently owned and operated and not otherwise affiliated with Schwab, TD Ameritrade or GFWM. Lodestar receives no direct compensation in connection with the use of Schwab, TD Ameritrade, or GFWM as broker-dealer or custodian, although these custodians each provide substantial back office support which would not be received if Lodestar did not have an established relationship with them.

In addition, some or all of these custodial broker-dealers provide Lodestar with access to its institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a prescribe minimum level of the advisor's clients' assets are maintained in accounts at the custodian. 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.

For Lodestar client accounts maintained in their custody, such custodial broker-dealers generally do not charge separately for custody services but are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through them or that settle into accounts maintained by them.

Custodians such as Schwab, through its Schwab Advisor Services also make available to Lodestar other products and services that benefit Lodestar 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 Lodestar's accounts, including accounts not maintained at Schwab.

Such products and services that assist Lodestar in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research,

pricing and other market data; (iv) facilitate payment of Lodestar's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

These custodians, including Schwab through Schwab Advisor Services also offer other services intended to help Lodestar manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. For example, Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Lodestar and may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Lodestar. Lodestar has, for example, engaged a professional speaker through Schwab Advisor Services, and had the speaking fee waived by Schwab. Schwab Advisor Services and TD Ameritrade may also provide other benefits such as educational events or occasional business entertainment of Lodestar personnel.

In evaluating whether to recommend or require that clients custody their assets at any given custodian, Lodestar 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 on the nature, cost or quality of custody and brokerage services provided by them, which may create a potential conflict of interest.

#### *Charles Schwab & Company, Inc. & TD Ameritrade Institutional*

Lodestar considers the negotiated commission discount available through Schwab and TD Ameritrade to be competitive, although there may exist lower commission rates at other broker-dealers. Lodestar enjoys the benefits of being able, through direct computer access, to view and evaluate current Client account positions held at Schwab and TD Ameritrade, to effect trades quickly and efficiently in Client Accounts, to execute cost-effective "block" trades on behalf of multiple Clients, to receive consolidated Client statements and confirmations, and year-end summaries, and to review and automatically "download" by computer a wide range of information regarding Client transactions. Schwab and TD Ameritrade also have the capability of transacting and holding an extensive variety of mutual funds, including no-load and institutional funds, in Client accounts. Finally, Schwab and TD Ameritrade, with prior written consent of Client, directly debit management fees from Client accounts upon written instruction from Lodestar. For certain securities transactions, however, Lodestar may recommend other broker-dealers to affect trades on behalf of Clients due to the nature of the security that is being traded. In such instances, Lodestar endeavors to obtain the best execution possible.

## **Best Execution**

Lodestar recognizes there are areas that represent potential conflicts of interests when considering its duty to obtain best execution of Client trades. Although ongoing efforts are made to negotiate the most competitive transaction rates for our Clients, Lodestar acknowledges that the recommended custodians may not always be the lowest cost provider for investment transactions. Through evaluation of a list of qualitative and quantitative factors, Lodestar believes that the recommended custodians offer the most comprehensive package and best balance of costs, accuracy and speed of execution, access to markets and liquidity, quality of service, financial stability and reputation. The Advisor regularly evaluates these factors as part of its duty to secure best execution of trades on behalf of its Clients. Clients may pay commissions or fees that are higher or lower than those that may be obtained elsewhere for similar services. Clients are advised that they are under no obligation to use suggested broker-dealers.

## **Soft Dollars**

Lodestar receives certain operational services and products from Schwab Institutional and TD Ameritrade in connection with Lodestar's investment management business, as explained above. In general, however, Lodestar and its personnel do not receive any retail products or services of material value from any custodian or third party.

## **Order Aggregation**

Most Client trades are in mutual funds or exchange-traded funds, where trade aggregation does not garner any Client benefit.

Transactions for each Client account are generally handled independently; however, it may be advantageous from time to time to buy or sell a large quantity of securities for multiple Client accounts. In that rare case, Lodestar may combine or batch such orders to obtain best execution, to negotiate more favorable commission rates or other transaction costs than might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price. Transaction costs and will be assessed by the Clients' custodians according to the terms of their custodial agreements.

## **Trade Errors**

In rare instances, Lodestar may make an error in submitting a trade order on Client's behalf. When this occurs, Lodestar may place a correcting trade with the broker-dealer which has custody of the Client account. If an investment gain results from the correcting trade, the gain will remain in the Client account unless (a) the same error involved other Client account(s) that should have received the gain, (b) it is not permissible for the Client to retain the gain, or (c) we confer with the Client and the Client decides to forego the gain (e.g., due to tax reasons.) If the gain does not remain in the Client account and Charles Schwab & Co., Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100.00 and over to charity. If a loss occurs greater than \$100.00, Lodestar will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the Client account) if it is under \$100.00 to minimize

and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in the Client account, they may be netted.

## **Review of Accounts**

Reviews of a Client's account are usually conducted quarterly (but at least annually) by an Investment Advisor Representative (one of the individuals listed in Brochure Supplement B) responsible for that Client. Money management reviews include analysis of the portfolio's asset allocation and individual investments, together with consideration of the impact of changes to the portfolio. Wealth Management reviews may additionally include revision of financial planning elements through additional reports. Questions or concerns from the Client are addressed. More frequent reviews may be conducted at the request of the Client.

Lodestar has four Investment Advisor Representatives responsible for and assigned to Clients. Each typically supervises 50 – 80 Client accounts, but the Investment Advisor Representative may eventually handle upwards of 100 or more Client accounts.

## **Regular Reports**

Individual Clients receive regular monthly reports (as well as transaction confirmations) from the account custodian (typically, Charles Schwab & Co., Inc., TD Ameritrade, or quarterly reports from Genworth Financial Wealth Management) showing account activity and current security holdings. These reports are supplemented by the Advisor on an as-needed basis and generally include a quarterly summary of the Client's asset allocation and cost versus market value for each position. Performance information is typically included.

Institutional Clients receive quarterly reports presenting the performance of their selected money managers.

## **Client Referrals and Other Compensation**

### **Incoming Referrals**

Lodestar has been fortunate to receive many Client referrals over the years. The referrals have come from current Clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

### **Referrals Out**

Lodestar may refer Clients to outside professionals such as attorneys or accountants. Lodestar does not accept referral fees or any form of remuneration from other professionals when a prospect or Client is referred out.

### **Other Compensation**

Lodestar has, in some cases acted as a Solicitor, referring Clients to third party “primary” investment advisors. Such advisors include Genworth Financial Wealth Management, Inc. (“GFWM”). When acting as a Solicitor, Lodestar’s fees are collected and paid by the third party investment advisors. Clients receive the appropriate disclosures from both the primary advisor and Lodestar when this service is offered.

### **Custody**

#### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to Clients at their address of record at least quarterly.

#### **Comparison with Lodestar Reports**

Clients are urged to compare the account statements received directly from their custodians to the report statements provided by Lodestar. Lodestar reconciles its portfolio management system with the custodian nearly every business day.

### **Investment Discretion**

#### **Conditions for Managing Accounts**

Lodestar generally provides investment advisory services and manages assets only for individual accounts meeting the minimum dollar value of \$500,000 U.S. Dollars. Institutional accounts have no minimums, as this will vary with the nature of the relationship. Accounts not meeting Lodestar’s minimums are taken on an exception basis. Clients who establish an account with Lodestar are authorizing Lodestar to disclose their account information with the custodians and Lodestar’s reporting service. Lodestar assesses minimum quarterly fees as explained above.

#### **Discretionary Authority for Trading**

Lodestar generally requires that Clients allow the Advisor to trade within Client accounts with full discretion. When a Client agrees to discretionary management, Lodestar is responsible for selecting the securities to be bought and sold in the Client’s accounts, the amount of those securities and the timing of their purchase. The only limitations on the investment authority are those limitations imposed in writing by the Client. Under its standard advisory agreement, Lodestar maintains discretion over the selection and amount of securities to be bought or sold without obtaining Client consent to individual transactions. Investment Advisor Representatives may give advice with respect to any of its Clients that may differ from advice given to other Clients.

Clients are required to sign a limited power of attorney to provide Lodestar with the necessary trading authorization to carry out the responsibilities explained above.

## **Voting Client Securities**

### **Proxy Votes**

Lodestar's policy is to vote Client proxies in the interest of maximizing shareholder value. To that end, Lodestar votes so as to cause the security to increase the most or decline the least in value. Consideration is given to both the short- and the long-term implications of the proposal to be voted on in the proxy materials. In the unlikely event Lodestar faces a material conflict of interest in voting Client's proxy, Lodestar's procedure is to provide for a Proxy Voting Committee to convene and to determine the most appropriate vote. Clients may request Lodestar's complete proxy voting policy and procedures by contacting our office. Lodestar maintains a complete record of its proxy voting for Clients.

## **Financial Information**

### **Financial Condition**

Lodestar does not have any financial impairment that precludes it from meeting contractual commitments to Clients.

A balance sheet is not required to be provided because Lodestar does not serve as a custodian for Client funds or securities, and does not require prepayment of fees of more than \$1,200 per Client, and six months or more in advance.

## **Business Continuity Plan**

### **General**

Lodestar has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. Lodestar would attempt to contact all Clients within five days of a disaster that dictates moving its office to an alternate location.



## **Loss of Key Personnel**

Lodestar has an Operating Agreement which dictates certain steps to ensure continuous, competent service in the event of a serious disability or death of one or both of the firm's Principals.

## **Information Security Program**

### **Information Security**

Lodestar maintains an information security program to reduce the risk that any Client's personal and confidential information may be breached.

### **Privacy Notice**

Lodestar is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to the firm.

The categories of nonpublic information that are collected from the Client may include information about personal finances, information about health to the extent that it is needed for the financial planning process, information about transactions between the Client and third parties, and information from consumer reporting agencies, e.g., credit reports. Lodestar uses this information to help Clients meet their personal financial goals.

With the Client's permission, the firm will disclose limited information to attorneys, accountants, and mortgage lenders with whom the Client has established a relationship. Clients may opt out of our sharing information with these nonaffiliated third parties by notifying Lodestar at any time by telephone, mail, fax, email, or in person. With the Client's permission, Lodestar shares a limited amount of information with the Client's brokerage firm to execute securities transactions on the Client's behalf.

Lodestar maintains a secure office to ensure that Clients' information is not placed at unreasonable risk. Lodestar employs a firewall barrier, secure data encryption techniques and authentication procedures in its computer environment.

Lodestar does not provide Clients' personal information to mailing list vendors or solicitors. Lodestar requires strict confidentiality in its agreements with unaffiliated third parties that require access to Clients' personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review Lodestar's records and Clients' personal records as permitted by law.

Personally identifiable information about Clients is maintained during the engagement with a Client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

Lodestar will notify Clients in advance if its privacy policy is expected to change. Lodestar is required by law to deliver this *Privacy Notice* to Clients annually, in writing.

## Brochure Supplement (Part 2B of Form ADV)

### Education and Professional Standards

Lodestar requires that Advisors in its employ have a bachelor's degree and further coursework demonstrating knowledge of financial planning.

Additionally, Lodestar requires that those involved in determining or giving direct investment advice to Clients:

- (a) have at least three years in the investment field,
- (b) hold a professional degree of the CFP® designation (Certified Financial Planner), CIMC (Certified Investment Management Consultant), CIMA (Certified Investment Management Analyst), MBA (Masters of Business Administration), or the equivalent.

### Professional Certifications

Certain of the Firm's Investment Advisor Representatives and employees may hold professional certifications and credentials as follows:

Certified Financial Planner CFP®: Certified Financial Planners are licensed by the CFP Board to use the CFP® mark. CFP certification requirements are:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience in a financial planning role.
- Successfully pass the Candidate Fitness Standards and background check.
- Complete 30 hours of Continuing Education every 2 years

Certified Investment Management Analyst<sup>SM</sup> (CIMA): Certified Investment Management Analysts' are licensed by the Investment Management Consultants Association to use the CIMA mark. CIMA certification requirements are:

- Three-year qualifying full-time work experience in a financial planning role.
- Pass a background check and online qualification examination.
- Completion of the financial planning education requirements set by the IMCA Board ([www.IMCA.org](http://www.IMCA.org))
- Pass the online Certification Exam and agree to adhere to IMCA's Code of Professional Responsibility and Standards of Practice
- Complete 40 hours of Continuing Education every 2 years

Certified Investment Management Consultant<sup>SM</sup> (CIMC): —The Certified Investment Management Consultant was a self-study program offered originally by the Institute of Certified Investment Management Consultants. The program was merged into the CIMA program (see above) in 2002 and no longer accepts new applicants.

Accredited Wealth Management Advisor (AWMA<sup>®</sup>): The College for Financial Planning<sup>®</sup> awards the AWMA<sup>®</sup> designation to students who:

- Complete the financial planning program requirements set by The College for Financial Planning Board ([www.cffp.edu](http://www.cffp.edu))
- Successfully complete the final examination.
- Remain in compliance with the College for Financial Planning's Code of Ethics and Standards of Professional Conduct
- Complete 16 hours of Continuing Education every 2 years

Accredited Asset Management Specialist (AAMS<sup>®</sup>): The College for Financial Planning<sup>®</sup> awards the AAMS<sup>®</sup> designation to students who:

- Complete the financial planning program requirements set by The College for Financial Planning Board ([www.cffp.edu](http://www.cffp.edu))
- Successfully complete of the final examination
- Remain in compliance with the College for Financial Planning's Code of Ethics and Standards of Professional Conduct
- Complete 16 hours of Continuing Education every 2 years

Certified College Planning Specialist (CCPS<sup>®</sup>): The National Institute of Certified College Planners awards the CCPS designation to students who:

- Complete the study of methods to assist families in planning for the expenses associated with college including methods for college payment, saving for college and advanced funding strategies. Each module has an accompanying test that must be passed.
- Hold at least one additional financial designation, professional financial license or have professional experience deemed suitable.

## Advisory Personnel

Investment Advisor Representative	<b>Randall L. Manley</b>
Year of Birth	1953
Education Background	Stanford University – BS Math Science Hastings College of the Law – JD U.C. Berkeley Graduate School of Business - MBA Certified Investment Management Consultant, CIMC Certified Investment Management Analyst, CIMA
<b>Business Background Preceding Five Years</b>	June 1989 to Present: Principal, Lodestar Private Asset Management LLC (formerly Retirement Benefits Planning LLC)
<b>Other Business Activities</b>	July 2008 to Present: President, Manley Group Inc. January 1994 to June 2008: President, Manley Professional Services, Inc.
<b>Additional Compensation</b>	Salary and dividends from Manley Group, Inc.
<b>Disciplinary Information</b>	None
<b>How Advisor is Monitored</b>	Trades of securities are reviewed monthly Client performance is reviewed on an ad hoc basis Samples of client communication are reviewed as part of the firm's compliance program

Investment Advisor Representative	<b>Scott C. Miller</b>
Year of Birth	1954
Education Background	California State University – BA Social Science College for Financial Planning, CFP® Certified Investment Management Consultant, CIMC
<b>Business Background Preceding Five Years</b>	September 1985 to Present: Principal, Lodestar Private Asset Management LLC (formerly Retirement Benefits Planning LLC)
<b>Other Business Activities</b>	None
<b>Additional Compensation</b>	None

<b>Disciplinary Information</b>	None
<b>How Advisor is Monitored</b>	<p>Trades of securities are reviewed monthly</p> <p>Client performance is reviewed on an ad hoc basis</p> <p>Samples of client communication are reviewed as part of the firm's compliance program</p>

<b>Investment Advisor Representative</b>	<b>Kevin L. Gray</b>
<b>Year of Birth</b>	1967
<b>Education Background</b>	<p>Westmont College – BA Business and Economics</p> <p>Certified Financial Planner, CFP®</p> <p>Accredited Asset Management Specialist, AAMS</p> <p>Accredited Wealth Management Advisor, AWMA</p>
<b>Business Background Preceding Five Years</b>	<p>October 2009 to Present: Associate Principal, Lodestar Private Asset Management LLC</p> <p>2002 to October 2009: Vice President, Financial Consultant, Charles Schwab &amp; Company</p>
<b>Other Business Activities</b>	None
<b>Additional Compensation</b>	None
<b>Disciplinary Information</b>	None
<b>How Advisor is Monitored</b>	<p>Trades of securities are reviewed monthly</p> <p>Client performance is reviewed on an ad hoc basis</p> <p>Samples of client communication are reviewed as part of the firm's compliance program</p>

<b>Investment Advisor Representative</b>	<b>Stephan A. Werth</b>
<b>Year of Birth</b>	1955
<b>Education Background</b>	<p>University of California, Berkeley – BS Business Administration; Accounting Emphasis</p> <p>Certified Financial Planner, CFP®</p>
<b>Business Background</b>	January 2006 to Present: Associate Principal, Lodestar Private

<b>Preceding Five Years</b>	Asset Management LLC November 2004 to 2006: Financial Advisor, QA3 Financial LLC, Quantum Advisors February 2002 to 2006: Registered Representative, QA3 Financial Corp.
<b>Other Business Activities</b>	August 2001 to Present: Stephan A. Werth, CPA
<b>Additional Compensation</b>	Income from independent agreements as a CPA or tax professional
<b>Disciplinary Information</b>	None
<b>How Advisor is Monitored</b>	Trades of securities are reviewed monthly Client performance is reviewed on an ad hoc basis Samples of client communication are reviewed as part of the firm's compliance program

Investment Advisor Representative	<b>Peter Ochs</b>
Year of Birth	1973
Education Background	Cal Poly State University – BS Financial Management and International Business
<b>Business Background Preceding Five Years</b>	July 2006 to Present: Wealth Manager, Lodestar Private Asset Management LLC (formerly Retirement Benefits Planning LLC)
<b>Other Business Activities</b>	Life Insurance and Long-Term Care Insurance
<b>Additional Compensation</b>	N/A
<b>Disciplinary Information</b>	None
<b>How Advisor is Monitored</b>	Samples of client communication are reviewed as part of the firm's compliance program