



## LARA, SHULL & MAY, LLC

Headquarters:

7600 Leesburg Pike, Suite 120 East

Falls Church, VA 22043

703-827-2300 / telephone

703-827-2314 / Fax

[www.lsmfinancial.com](http://www.lsmfinancial.com)

Email: [information@lsmfinancial.com](mailto:information@lsmfinancial.com)

Part II ADV Brochure – Firm Disclosure

**March 8, 2012**

*This Brochure provides information about the qualifications and business practices of Lara, Shull & May, LLC ("LSM"). If you have any questions about the contents of this Brochure, please contact us at (703)-827-2300 or [information@lsmfinancial.com](mailto:information@lsmfinancial.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. LSM is a Registered Investment Adviser with the SEC. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser are intended to provide you with information to help you determine whether to hire or retain an Adviser. Additional information about LSM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## Item 2 – Material Changes

This section will address only specific material changes that are made to the Brochure and provide clients with a summary of such changes. It will also reference the date of the last annual update of this brochure. In the past, information about LSM's qualifications and business practices has been offered or delivered to clients on at least an annual basis. Pursuant to new SEC Rules, clients will receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of the business' fiscal year end (12/31). Other ongoing disclosure information about material changes may be provided as necessary. A new Brochure will be provided as necessary based on changes or new information, at any time, without charge.

Material Changes since last annual filing on March 16, 2011:

- Updated Risk disclosures under Item 8

For any questions regarding the content of this Brochure, or to request a copy, please contact the Chief Compliance Officer at (703) 761-3907 or [information@lsmfinancial.com](mailto:information@lsmfinancial.com). This Brochure is also available online at [www.lsmfinancial.com](http://www.lsmfinancial.com) under the Consumer Information page, both free of charge.

Additional information about LSM is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with LSM who are registered, or are required to be registered, as Investment Adviser Representatives ("IAR") of LSM.

Your LSM Advisor Representative is available to service your account and answer any questions or concerns that you may have. In the unfortunate event that you wish to submit a complaint about your experience please contact the proper individual as follows: Lara, Shull & May, LLC Jennifer L Szaro at 7600 Leesburg Pike, Suite 120 East, Falls Church, VA 22043, call 703-827-2300 or email [information@lsmfinancial.com](mailto:information@lsmfinancial.com).

### Item 3 -Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	5
Item 6 – Performance-Based Fees and Side-By-Side Management .....	9
Item 7 – Types of Clients .....	9
Item 8 – Methods of Analysis, Investment Strategies and Risks.....	9
Item 9 – Disciplinary Information .....	13
Item 10 – Other Financial Industry Activities and Affiliations.....	13
Item 11 – Code of Ethics .....	15
Item 12 – Brokerage Practices .....	16
Item 13 – Review of Accounts .....	18
Item 14 – Client Referrals and Other Compensation .....	18
Item 15 – Custody .....	19
Item 16 – Investment Discretion.....	19
Item 17 – Voting Client Securities .....	19
Item 18 – Financial Information .....	19

#### **Item 4 - Advisory Business**

Lara, Shull & May, LLC (LSM) is a dually registered, independent broker/dealer (Member FINRA/SIPC) and Registered Investment Advisor with the Securities and Exchange Commission ("SEC"). LSM provides investment supervisory and advisory services to its clients, including Wealth Management and Financial Planning Services. The services may include personal and/or business planning, asset allocation, portfolio management, estate planning, tax planning, educational planning, advisory services for businesses and retirement planning. LSM may advise clients directly and/or invest client funds through other investment advisers, investment managers and/or sub-advisers. Capital Sports Group is a division of Lara, Shull & May, LLC dedicated to providing advisory services to professional athletes.

The foundation of LSM began in 1981 as Lara, Shull & May, Ltd. On October 1, 2007 Lara, Shull & May, LLC was established and became part of the Focus Financial Partners, LLC ("Focus") network. As such, LSM now is a wholly-owned subsidiary of Focus Operating, LLC (100%), which is a wholly-owned subsidiary of Focus Financial Partners, LLC (Focus). LSM's Advisory assets on a non-discretionary basis are \$360 million and \$16 million per a discretionary basis as of 12/31/2011.

#### **INVESTMENT SUPERVISORY AND ADVISORY SERVICES**

LSM's Investment Advisor Representatives ("IAR") provide recommendations and supervisions for client's specific portfolios or investment accounts. IARs provide continual advice to a client regarding investment of client funds based on the individual needs and suitability of the client. Through personal discussions client's particular circumstances, goals, and objectives are established. The IAR then develops a personal profile for the client and recommends investments based on that profile. IARs may manage advisory accounts on a discretionary or nondiscretionary basis. Account supervision is guided by the stated objectives of the client. Clients may impose restrictions in certain securities or types of securities and should bring these to the attention of their IAR. A general client financial profile is developed to determine appropriate investments, investment time-frames, tax status and levels of risk. The profile is developed as follows:

1. Gather client information.
2. Consult with client to determine goals and objectives.
3. Review financial and profile data which may include; current assets and liabilities, employment and marital status, cash flow, tax concerns, short-term events, long-term goals, risk management, and estate structures.
4. Identify the need for additional outside professional advice re: legal, tax, etc.
5. Create an investment plan recommendation.
6. Implement the plan. Clients are presented with investment recommendations and may enter into Investment advisory or management agreements, or agreements with, or for, 3<sup>rd</sup> party managers - depending on the program or manager selected.
7. Update plan as needed; such as, in response to market conditions, changes in the client's lifestyle or needs.

Please note: Non-Discretionary Service Limitations. Clients that determine to engage LSM on a non-discretionary investment advisory basis must be willing to accept that LSM cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, your IAR will be unable to effect any account transactions (as they would for a discretionary client) without first obtaining the client's verbal consent.

#### DISCRETIONARY PORTFOLIO MANAGEMENT

Clients may enter into a discretionary management agreement with a specific LSM IAR. The IAR selects the securities and manages per the IAR's program strategy. Details of the program are outlined the discretionary management agreement.

#### WRAP FEE PROGRAM

LSM sponsors several wrap fee programs whereby the client pays one fee that includes the fees/costs for a sub-advisor. The fee typically covers trade transaction costs, the sub-advisor's management fee, and the LSM IAR's fee – thus the term “wrap” as the fees are wrapped together. A single contract is entered into between the client and the IAR for the designated sub-advisor to provide discretionary asset management. *A separate LSM WRAP Fee Disclosure form should be provided along with the WRAP Program Agreement.*

#### ADVISORY CONSULTATION WITHOUT ASSET MANAGEMENT

LSM IAR's are able to provide clients with consultation services of their assets held outside of LSM. The client and IAR would enter into a consultation agreement based on a pre-determined fee payable per the agreement.

#### PROJECT BASIS

Financial planning, investment analysis and other services may be provided by an IAR on a “per project” basis. The IAR and client will discuss the scope of the project and agree upon a set fee. The client is then invoiced for the service upon completion.

#### MISCELLANEOUS

Non-Investment Consulting/Implementation Services. To the extent specifically requested by a client, LSM may provide limited consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither LSM, nor any of its IAR's, serve as an estate attorney or licensed accountant, and no portion of LSM's services should be construed as such. To the extent requested by a client, LSM may recommend the services of 3<sup>rd</sup> party professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional and those professionals may charge fees separate from LSM of which the client will be responsible for. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from LSM. If the client engages any such recommended professional and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

#### CLIENT OBLIGATIONS

In performing its services, LSM shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify LSM if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising LSM's previous recommendations and/or services.

#### **Item 5 – Fees and Compensation**

LSM currently does not implement a "Company Fee Schedule". Fee are set by the IAR based on the individual's services provided, the investments selected, the program agreement and/or the managers selected, and are negotiated between the IAR and the client. LSM may offer programs provided through our clearing firm, RBC Capital Markets, LLC (“RBC”) and with 3rd party managers such as those with Morningstar, Charles Schwab, BX

Asset Management, CAIS, Altegris, Envestnet, or other separate account managers. Fees and compensation details are provided in the respective program agreements so please read them carefully.

A program agreement must include: the services offered, the terms of management, authority of IAR and/or sub-advisor, fees charged and how they will be calculated, applicable disclosures, arbitration clause, address custody, reporting, complaint reporting, liability and standard of care, brokerage (if applicable), risks, assignment, termination terms, and other standard contractual requirements. The client, IAR on the account, and a LSM firm principal must sign and date the agreement. Should the fee indicated on the agreement change, a Fee Schedule Change amendment must be completed and signed by the client, IAR and a LSM Firm principal in order for the new fee to take effect.

LSM offers investment advisory services for compensation in the following manners:

**A) A PERCENTAGE OF ASSETS UNDER MANAGEMENT.**

LSM is able to offer fee-based investment management (fee range: 0.75% - 1.75%) and sub-advisory or 3rd party manager programs (range: 1% - 3%) through LSM's clearing firm and other platforms as mentioned above. The annual compensation for the services provided to clients under these programs shall be calculated and payable quarterly in advance. The fee provides for: an initial analysis of the client's investment objectives and needs, periodic re-evaluations, consulting services as to an appropriate investment strategy, and trading execution costs. There may be other fees associated with the clients account charged by the custodian for maintenance, client requests, or other specific account fees. These are typically incidental and are detailed in the client's program agreement and custodial new account agreement.

**FEE BASED ACCOUNTS AT RBC**

For accounts held at RBC fees are calculated and payable quarterly based on the market value of the assets in the account (determined by RBC in accordance with industry valuation standards) as of the last business day of the preceding calendar quarter. **Fees are assessed on all assets under management, including securities, cash, and money market fund, RBC Bank Deposit Program balances or Credit Interest Program balances.** The initial fee shall be calculated on the value of the initial assets deposited into the account and shall cover the initial quarter, or with respect to a particular quarter, pro-rated based on the number of remaining days in such quarter. Quarterly fees are assessed during the Monthly Billing process of the first of the month of the current quarter. The investment management fee due is deducted from the account(s), if applicable, by the custodian. Unless directed by the Client, fee deductions will be funded first from the redemption of money market fund shares and, if sufficient money market fund balances are not available, then from the sale or redemption of sufficient securities. The amount deducted from the account(s) for any investment management fee will be shown as a disbursement on any account statement given to client by the custodian. In no event shall the IAR be compensated on the basis of a share of capital gains or capital appreciation of all or any portion of assets in a client's account.

The fee covers the asset management, trade execution, custodial and reporting services provided by LSM, sub-advisor, RBC and their respective affiliates. In addition, the fee does not cover, and the client may be responsible and charged for: (i) commissions, mark-ups, spreads and other transactional charges on securities transactions effected through or with brokers and dealers other than RBC; (ii) interest on debit account balances, where applicable; (iii) the entire public offering price (including underwriting commissions or discounts) on securities purchased from an underwriter or dealer (including RBC) involved in a distribution of securities; (iv) bid-ask spreads, odd-lot differentials, exchange fees, transfer taxes and other fees required by law; (v) RBC Investment Access® Account fees, where applicable; (vi) Individual Retirement Account fees, qualified retirement plan account fees and other account maintenance fees; (vii) redemption fees imposed by certain mutual funds (see applicable fund prospectus for details); (viii) RBC's usual and customary transaction charges on the liquidation of assets not eligible for the specific Program; (ix) any contingent deferred sales charge assessed on the sale or

liquidation of mutual fund shares, where applicable; (x) check reordering costs and fees, where applicable; (xi) management and other fees on open-end and closed-end mutual funds and UITs; (xii) margin interest; (xiii) short-term trading charges for purchases and corresponding redemptions of certain mutual fund shares (see applicable fund prospectus for details) made within short periods of time (these short-term trading charges are imposed by the mutual funds to deter “market timers” who trade in fund shares.); (xiv) safe-keeping fees for physical securities; (xv) RBC bank deposit program fees; and (xvi) any other fees on securities transactions mandated by law.

#### FEE BASED ACCOUNTS AT CHARLES SCHWAB

LSM also offers programs custodied at Charles Schwab. The client will set up a separate agreement with Schwab to pay for custodial account fees. This agreement is separate from any agreement with a 3<sup>rd</sup> party manager. Upon written notification, either LSM or the client may terminate the agreement. Prorated fees will be charged based on the market value on the date the notice is received. Billed quarterly, the fee will be based on taking the average of the account value on the 1st and last day of the quarter. The fee will be deducted from the clients account in arrears. The client will receive monthly statements from Charles Schwab indicating their account holdings.

A quarterly report is also available if the client elects to receive it. This would include; the market value, cash flows, gains and losses, asset allocation, and performance as it relates to market indices. Annually, the client will receive a tax report for the account. Advisory contracts may be terminated by the client without penalty by giving written notice of termination within five business days. After the five-day period, clients may terminate the agreement at any time with written notice. Fees due will be pro-rated to the date of termination.

#### WRAP FEE PROGRAMS

LSM sponsors certain wrap fee programs. As part of the wrap fee program, LSM meets with clients to establish the financial circumstances, investment objectives and investment restrictions of each wrap fee client, typically through a client profile questionnaire. Each client completes the questionnaire and enters into an advisory agreement with LSM. The advisory agreement establishes the services to be provided to the client by or on behalf of LSM. These services may include, among other things: (1) assisting clients with choosing certain independent sub-advisor(s) to manage the investment of clients' cash, securities and other property in the client's account based on the client's individual goals and investment objectives as presented by the client to LSM; (2) execution, clearing and settlement services, generally without a transaction-specific commission or charge; (3) custodial services; and/or (4) ongoing monitoring and reviewing of such sub-advisor(s), client account performance and client's investment objectives. LSM generally insists on a minimum account size for each wrap fee client. Under the program, the client will receive advisory services from LSM and discretionary investment management services from the sub-advisor(s) and brokerage, custodial and reporting services, for a single specified fee. The specific terms and conditions pertaining to each wrap fee program sponsored by LSM are also set forth in the applicable LSM Wrap Program Brochure, which should be read carefully by each client prior to engaging LSM to provide advisory services in accordance with the terms and conditions of the wrap program. Wrap fee clients should consider that, depending on the rate of the wrap fee charged, the amount of account activity, the value of custodial and other services provided and other factors, the wrap fee may exceed the aggregate costs of the services provided if they were to be obtained separately with respect to brokerage, transaction-based commissions. LSM may accept or reject a wrap fee client for any reason, including, but not limited to, such client's investment goals and restrictions.

For WRAP accounts held at RBC, clients may also be subject to additional fees and expenses (e.g., commissions on transactions executed away from the program's designated broker-dealers, dealer mark-ups or mark-downs on principal transactions and certain costs or charges imposed by 3rd parties including odd-lot differentials,

exchange fees and transfer taxes mandated by law). The program fee generally ranges from an annual rate of 2% to 3% of total account assets under management and is charged on a quarterly basis in advance. Fees are prorated for any billing period that is less than a complete calendar quarter, and the fee may be adjusted proportionately based on the value of assets added to or withdrawn from the client's account between billing periods. As compensation for the investment management services rendered to the client, the applicable sub-advisor(s) will receive a portion of the program fee paid by the client. A client's participation in the program may cost the client more or less than purchasing such services separately. In addition, the program fee may be higher or lower than that charged by sponsors of other comparable wrap fee programs. LSM, in its sole discretion, may charge some clients higher or lower fees depending on considerations such as the size of the client's account, the amount of time that the client has had an account or accounts with LSM and/or the sub-advisor(s), the total amount of business that the client conducts through LSM and/or the sub-advisor(s), the types of securities and services provided, anticipated future earning capacity, anticipated future additional assets and other relevant criteria.

#### **FEE BASED ACCOUNTS AT MORNINGSTAR MANAGED PORTFOLIOS**

Managed by Morningstar Investment Services ("MIS") the annual program fee is charged quarterly in arrears and is calculated from a breakpoint schedule that is based on the average daily account value during the previous quarter (pro-rated for partial quarters). The maximum breakpoint schedule allowed for this Program is 1.50% on the first \$500,000; 1.40% on the next \$500,000; 1.30% on the next \$1 million; and 1.10% over \$2 million. The fee covers MIS' discretionary investment advice, reports, fees charged by the custodian, PFPC, and fees covering the services performed by LSM. Agreement may be terminated at any time (including within five business days of entering into the agreement) without the imposition of any penalty on written notice by the client or MIS to the other and termination will become effective on receipt of such notice. If the value of an account falls below the minimum size of \$50,000 due to withdrawals or market action, MIS may terminate the account. Any termination by MIS or the client will not, however, affect the liabilities or obligations of the parties incurred or arising from transactions in Fund Shares initiated under the Agreement before such termination.

#### **B) HOURLY AND FIXED CHARGES**

For current investment or financial analysis, financial planning or services that are out of the normal investment advisory or management service, such as Estate Planning, Investment Consultation, transition planning, Special Needs Planning, or for The Lifetime Success Solution® and The Retirement Success Solution® Programs a fixed or hourly fee may be used for the services provided payable as determined between the client and the IAR. For the Retirement and Lifetime Success Solutions, fees can range from \$1,500 to \$5,000. For the delivery of the Estate Plan Flow Chart, fees typically range from \$500 to \$1,500. For the Retirement Funding Analysis fees begin at \$500. Fee based wealth management consultation start at .25% of assets under consultation, with a \$1 million asset minimum.

For the projects mentioned above, an hourly fee may be applied as negotiated between the client and the IAR which ranges from \$100 - \$150/hour. Unless otherwise agreed upon, the fee is paid via an invoice at the beginning and end of the engagement. The project is outlined and the total fee is presented before the project is initiated. Agreement is necessary from the client before work is commenced. If the client is not satisfied with the completed service, a full refund of all consulting fees paid, less any out-of-pocket LSM expenses, may be obtained upon the client's written request to LSM within 30 days of the receipt of completed service.



### **C) SUBSCRIPTION FEES**

Aggregation and performance reporting software service is offered through LSM on an annual subscription basis. The subscription fee is a total of the per account charge for inclusion in Blackdiamond's aggregation. The Fee is prorated for the remainder of the calendar year. The subscription fee is \$250 for the first 5 accounts, \$50 for each account thereafter, billed and invoiced annually, in advance, as of January 1 for the full calendar year. For users terminating their subscription service with 30 days written advanced notice, the unused portion of their Subscription Fee will be refunded.

### **MUTUAL FUNDS**

Typically, clients investing in mutual funds under an Advisor/Fee based platform receive the net asset value (NAV) purchase price, which is without a sales charge. However, in non-retirement accounts the IAR may be eligible to receive 12b-1 fees paid by the fund. This could create a conflict of interest in the selection of choosing one fund over the other. Per the LSM Code of Ethics and LSM's general guiding principles, an IAR should do what is in the client's best interest. Therefore, should a client have any concerns about the reasoning for recommending one fund over another, please discuss any concerns with the IAR.

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

LSM does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

LSM generally provides wealth management and investment planning services to individuals, high net worth individuals, professional athletes, businesses, corporate pension and profit-sharing plans, ERISA plans, charitable institutions, foundations, endowments, and trusts.

### **Item 8 – Methods of Analysis, Investment Strategies and Risks**

#### **METHODS OF ANALYSIS**

Investing in securities involves risk of loss that clients should be prepared to bear. IAR's create an investment plan based on the client's unique needs and circumstances. As part of this process, IAR's consider several factors when developing investment strategies and analyzing specific securities, categories, products or types of investment vehicles. IARs are able to conduct their analysis independently and based on their unique expertise and style. Generally, methods of analysis available to IARS are: industry research reports, access to subscription ranking and reporting services, public reports, facts sheets and industry discussions with product providers, trade shows, and industry events.

#### **INVESTMENT STRATEGIES**

Each IAR at LSM has developed their own areas of expertise and has individual style preferences. In general, we believe that the more we know about the client, the better job we will do. We feel that when tax planning and considerations are factored into the investment plan, the stronger it will be.

As an independent firm LSM IARs are able to search the financial market worldwide for available products and services. We have an extensive list of selling agreements and established relationships to provide our clients with a variety of investment vehicles to address their needs. If there is interest in a product that is not offered through our clearing firm or 3rd party manager we already have access to, it may require the firm enter into a selling

agreement. Before we decide whether to offer the product it must be reviewed and approved by the LSM Investment Committee. The Committee is comprised of members from the LSM management team and a selection of IARs. The group collaborates to conduct due diligence and to review product details to the best of our ability and knowledge, and decide whether it will be offered at LSM. LSM does not engage the services of outside council or other 3rd party services when reviewing new products through the Investment Committee.

## **RISKS**

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by LSM) will be profitable or equal any specific performance level(s).

### *Capital Risk*

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

### *Credit Risk*

Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an client can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

### *Currency Risk*

Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. Currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, Euro, Japanese yen, etc.).

### *Economic Risk*

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

### *Financial Risk*

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Lehman Brothers and Enron or many of the "dot com" companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

### *Higher Trading Costs*

For any investment instrument or strategy that involves active or frequent trading, you may experience larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

### *Inflation Risk*

Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

### *Interest Rate Risk*

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an client has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

### *Legal/Regulatory Risk*

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

### *Liquidity Risk*

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

### *Margin Risk*

- You can lose more funds than you deposit in a margin account. A decline in value of securities that are purchased on margin may require you to provide additional funds to the custodian holding your margin account in order to avoid a forced sale of those securities or other securities in your account.
- The custodian holding your margin account can force the sale of securities in your margin account. If the equity in your account falls below the margin maintenance level required by law or below the custodian's "house" requirement, the custodian can sell the securities in your account to cover the margin deficiency. You will be responsible for any shortfall in the account after such sale.
- Securities can be sold without contacting you prior to sale. Some clients mistakenly believe they must be contacted before a margin call becomes valid and that securities in their accounts cannot be liquidated to meet the call unless they have been contacted ahead of time. Most firms will attempt to notify you of margin calls; however, they are not required to do so. Even if the custodian has contacted you to provide a specific date by

which you can meet a margin call, the custodian can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to you.

- You are not entitled to choose which securities in your margin account are liquidated or sold to meet your margin call. Because the securities are used as collateral for the margin loan, the custodian has the right to decide which securities to sell in order to protect its interests.
- The custodian can increase its “house” maintenance requirement at any time and is not required to provide you with advance, written notice. These changes in policy can take effect immediately and may result in the issuance of a margin maintenance call. Your failure to satisfy this call may cause a forced liquidation in your account.
- You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have the right to the extension.

#### *Market Risk*

The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment instrument or the underlying assets or other instruments held by or traded within that investment instrument.

#### *Operational Risk*

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

#### *Past Performance*

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment’s future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, clients should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer.

#### *Strategy Risk*

There is no guarantee that the investment strategies discussed in this document will work under all market conditions and you should evaluate your ability to maintain any investment you are considering in light of your own investment time horizon. Investments are subject to risk, including possible loss of principal.

#### *Investment-Specific Risks*

There is no single type of investment instrument that we predominantly recommend, however, please be mindful that all investments carry some form and degree of risk. Certain types of investments carry greater types and levels of risk than others and you should make sure that you fully understand not only the investment product itself but also the attendant risk factors associated with such products.

#### *DISCRETIONARY PROGRAMS*

a) Robert Waltermann and Paul Corley's discretionary programs invest primarily in equity securities. Equity securities represent ownership in the business; stockholders become equity holders in the business. Ownership of common stock is open-ended; the stockholder can own the stock as long as he or she wants. Equity securities can appreciate in value over time, but equities are not guaranteed to increase in value, and they can decrease in value or a client could lose their entire investment. Equity securities may or may not pay dividends. Clients generally purchase equity securities for their appreciation potential.

b) The Lara Options Strategy involves the writing and selling of options – typically equity covered calls and cash secured puts in the way of having available cash to cover the cost of the put if exercised. Options involve risk and are not suitable for all clients. Some risks and considerations for Option Sellers include; an option writer being assigned an exercise at any time during the period the option is exercisable. The writer of a covered call forgoes the opportunity to benefit from an increase in the value of the underlying security above the option price, but may continue to bear the risk of a decline in the value of the underlying security. Also, while the writer owns the security they bear the market and investment risks associated with that particular security. In the case of an equity security the risks can include market fluctuation in the price of the security and could result in the loss of initial investment. The writer of a put option bears a risk of loss if the put is exercised and the value of the underlying security declines below the exercise price, and such loss could be substantial if the decline is significant. The client would be exposed to the investment risk of the underlying security. If a trading market in an option should become unavailable, or if the writers of the option are otherwise unable to engage in closing transactions, the writers of that option would remain obligated until expiration or assignment.

The Characteristics and Risks of Standardized Options booklet and Supplements are written and published by The Options Clearing Corporation, and must be read by a client prior to buying or selling options contracts. This booklet explains the purposes and risks of options transactions. Clients are encouraged to learn more about options at <http://www.cboe.com>. The Brochure and Supplements may also be requested by asking your IAR or contacting Jennifer Szaro at 7600 Leesburg Pike, Suite 120 East, Falls Church, VA 22043 or [information@lsmfinancial.com](mailto:information@lsmfinancial.com).

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of LSM or the integrity of LSM's management. LSM has no information applicable to this Item.

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

##### **BROKER DEALER (other business activity)**

Lara, Shull & May, LLC is also a fully disclosed, introducing broker/dealer (Member FINRA/SIPC). Many IAR's are also broker agents. Broker agents may only execute securities transactions for residents of states that they are registered in or are exempt from registration.

Clients should consider the type of investment plan they wish to establish. For some situations, one fee structure and arrangement may be more beneficial over the other (brokerage vs. fee based). An account with a 'buy and hold' strategy may cost the client less to establish a brokerage account where the client pays a broker commission on trades in that account. The expectation is that there should be little trading in the account, thus lower costs. However, if a client wishes to utilize the recommendations, experience and research from an IAR which could entail ongoing reviews, rebalancing of investments and periodic changes, a fee-based program may

be more suitable. Many IARs are also broker agents of LSM. Clients may view industry broker reports through FINRA's BrokerCheck at [www.finra.org](http://www.finra.org).

The recommendation by LSM representatives that a client purchase a securities or insurance commission product from the firm presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any security or insurance commission product from LSM and/or its representatives. Clients are reminded that they may purchase securities and insurance products recommended by LSM through other, non-affiliated broker-dealers and/or insurance agencies.

#### **INSURANCE AGENCY (other business activity)**

Lara, Shull & May, LLC is also an insurance agency. Many IARs are also licensed insurance agents. LSM Insurance agents may only sell insurance products that have a current selling agreement with LSM and which proper carrier appointments, educational and applicable state licensing requirements has been met. An insurance agent may receive a commission from the insurance product company for policies sold. The insurance commissions they may receive are in addition to broker agent trading commissions for securities bought or sold or investment advisor fees earned as part of any other service.

#### **AFFILIATIONS**

LSM is a subsidiary of Focus Operating, LLC, which is a subsidiary of Focus Financial Partners, LLC ("Focus"). Focus also controls other Registered Investment Advisers, broker-dealers, pension consultants, insurance firms, and other financial services firms (the "Focus Affiliates"). The Focus Affiliates may provide, among other services, wealth management, benefit and other investment consulting services that may serve individuals, families, employers, and institutions. Some Focus Affiliates also manage or advise limited partnerships, private funds or limited liability companies as disclosed on their respective Form ADV Schedule D. A list of the affiliated investment advisers and broker dealers can be found on LSM's Form ADV Part 1 Schedule D. Additional information about Focus and the Focus Affiliates can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

E. Ronald Lara, CFP® and Jennifer L. Szaro each hold a 25% ownership interest in The Lara Group, Ltd. ("TLG") (CRD 115607), a Registered Investment Advisor with the State of Virginia engaged in the management of U.S. Treasury Securities. Client accounts of The Lara Group, Ltd are separate from those of LSM. No material conflict has been found. Mr. Lara is a sub-advisor to TLG.

#### **ECONOMIC BENEFITS**

LSM receives some economic benefit from non-clients in connection with giving advice to clients in the form of receiving client account statements and reports from RBC Correspondent Services ("RBC"). Furthermore, in connection with its clearing arrangement with RBC, LSM receives a rebate from RBC on certain money market fund balances held by RBC for LSM's clients, including its wrap program clients. On occasion LSM receives economic assistance from asset management companies in the form of reimbursement for postage, seminar charges or printed materials.

#### **Item 11 – Code of Ethics**

All personnel of Lara, Shull & May, LLC ("LSM") whether employees, broker agents, or investment advisor representatives ("Registered Persons"), shall abide by the standards of fair and ethical conduct in all dealings

with the public and others. The Code of Ethics addresses the following topics: prohibited activities, personal securities transactions, outside business activities and gifts.

In addition to the foregoing Company Standards all IAR's and employees of LSM must adhere to the following industry standards in all dealings with the public so as to ensure fair and ethical dealing with clients: excessive and unauthorized trading, excessive mark-ups or commissions are not permitted, use of margin accounts is only allowed after internal review; Under no circumstances may a IAR open a discretionary trading account for a client without the approval of the firm's CCO; Registered persons are not permitted to receive securities or hold client funds (i.e. cash, checks or drafts that are made payable to the individual person); Registered persons may not engage in any form of fraudulent activity, such as opening fictitious accounts to execute transactions that would otherwise be prohibited; in making recommendations to clients as to the purchase of securities or mutual funds registered persons shall not make recommendations beyond a client's capability; free riding and withholding by clients is strictly prohibited (i.e. purchased securities must be paid for before they can be sold; sold securities must be delivered before cash proceeds can be used for other purposes); known or suspected illegal or unethical behavior must be promptly reported to a firm principal, the CCO or COO; and no retaliatory action of any kind will be permitted against anyone making such a report, and the firm's managing partners and officers will strictly enforce this prohibition.

#### *Fiduciary Principles*

All registered persons must comply with all applicable federal securities laws, including the Securities Act of 1933 (the "Securities Act"), the Exchange Act, the Sarbanes-Oxley Act of 2002, the Investment Company Act of 1940, the Advisers Act, Title V of the Gramm-Leach-Bliley Act, any rules adopted by the SEC under any of these statutes, the Bank Secrecy Act as it applies to mutual Funds and investment advisers, and any rules adopted there under by the SEC or the Department of the Treasury.

Advisor and all registered persons must place Clients' interests first and foremost. All Advisors must comply with MSRB Rule G-17 in the conduct of their municipal securities or municipal advisory activities and shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice.

If any person covered by this Code becomes aware of any violation(s) or potential violation(s) of any of the provisions of this Code or any amendments thereto, they have an affirmative obligation to report such violation(s) or potential violation(s) promptly to the CCO. Failure to report any violation(s) of this Code or any amendments thereto of which a registered person is aware in a prompt manner will be considered itself a violation of the Code and subject to possible sanctions. In the event that a matter implicates the CCO, notice of the violation may be provided to the managing partners and/or the General Counsel of Focus Financial Partners, LLC, the Advisor's parent company.

#### *Pre-Clearance Requirement for Certain Securities Transactions and Prohibited Securities Transactions*

All Registered persons are required to obtain pre-clearance prior to making any and all securities transactions in prohibited or restricted securities. Registered persons may be prohibited from purchasing certain securities due to Advisor's or Advisor's affiliates' activities. Advisor has policies and procedures in place with regard to purchasing securities for personal accounts, which are incorporated in "LSM's Written Supervisory and Procedures Manual."

NOTE: A copy of LSM's complete Code of Ethics will be provided upon request by contacting 703-827-2300 or [information@lsmfinancial.com](mailto:information@lsmfinancial.com).

#### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS.**

LSM is an introducing broker-dealer and submits retail buy and sell orders for securities and mutual funds and may receive brokerage commissions on these trades. Trades are monitored for suitability, as pertaining to the client's goals and risk tolerances. A registered principal of the firm reviews all trades. Trades are placed on an individual basis by each advisor based on the needs of the client. The firm in itself does not engage in "block trades" on a principal basis. IAR's may affect a block trade such as for discretionary programs whereby multiple clients are purchasing or selling the same security. The executed price would be averaged for all accounts. As IAR's operate independently of each other there could be disparity among clients between securities held, price and execution times. It is also possible that at any given time, while one IAR is recommending to a client to "buy" another IAR could be recommending to another client the same security to "sell." Likewise, 3rd party managers may be buying or selling the same security without knowledge of the activity of the client's investments held elsewhere. Investments into fee-based asset allocation programs are also reviewed before submission. Fee-based advisor clients do not pay commissions on assets eligible under the annual asset management fee of the program.

An agency cross transaction occurs when an investment adviser acting either as a registered broker-dealer or through an affiliated broker-dealer executes for a fee a transaction between an advised client and a client of the broker-dealer. If LSM recommends an agency cross transaction it must disclose to the client in writing the capacity in which it is acting and obtain the client's consent to the transaction. Where it is determined that restitution is called for or that a trade must be cancelled and/or corrected, all or part of the disputed trade will be placed in LSM's Error account and corrected accordingly. Any profit resulting from subsequent trade(s) may go to LSM; if determined, losses will be the responsibility of the IAR at fault as determined at the exclusive discretion of the designated LSM principal.

Related persons of LSM (such as employees, IAR's or broker agents of the firm) may buy or sell for themselves or family accounts, securities that they also recommend to clients. It is common practice that if an IAR is buying or selling securities for a personal or related account that they also recommend to clients, the trades will be aggregated as a block trade with the average price applied. If a security is bought/sold for a client at the same time it is bought/sold by the IAR the lowest/highest price will go to the client. If the IAR is unable to block the trade for their personal account and the clients account (such as if the account types are different) the IAR will submit the client's trade first if the IAR is doing the same. If the client and IAR's activity is opposite, the IAR will submit their transaction first. Unsolicited trades will be executed per the client's request and will not apply to these practices. Personal and related accounts are coded as such and trades are monitored by a firm principal. Additionally statements of personal accounts outside of LSM are reviewed monthly for conflicts of interest. Clients should consult with the IAR regarding any conflicts of interest or concerns.

#### **Item 12 – Brokerage Practices**

LSM is a fully disclosed introducing broker-dealer (Member FINRA/SIPC), as introducing broker for RBC Capital Markets. LSM IARs are able to use this brokerage relationship and avoid paying additional commission charges that may otherwise be charged by a 3rd party broker. LSM also has relationships with other custodians or broker/dealers such as Schwab, TD Ameritrade and Fidelity. Advisor programs may be held at these custodians depending on the managers selected and the investment plan needed. The client should discuss the advantages and disadvantages of these options in order to determine which is most suitable for their needs.



IARs Robert Waltermann, E. Ronald Lara CFP® and Paul Corley offer discretionary asset management programs as a fee-based platform. Clients pay a negotiated fee (average fee range 1 - 2.5%), and no transaction trading costs. Programs managed by Robert Waltermann, E. Ronald Lara CFP® and Paul Corley are custodied at RBC Correspondent Services. LSM recommends using RBC's broker/dealer firm to execute trades for LSM's investment strategies. Trades are generally expected to be executed only with the broker/dealer with which the client has entered into a contract. LSM does not receive research services from another broker/dealer. Clients should refer to their program agreement for details on what the investment fee covers and what the client is responsible for. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

LSM sponsors certain wrap fee program(s). By participating in the program, clients instruct the applicable sub-advisor(s) to its program account to direct all orders for the purchase and sale of securities for the client's account. In addition, clients may further direct LSM to execute, clear and settle all client orders received by LSM from the applicable sub- advisor(s) through a specified broker-dealer with whom LSM has entered into a clearing agreement.

By directing brokerage to LSM, or designated broker-dealer(s), the client may not necessarily receive best execution on each transaction. As a result of directing brokerage transactions to LSM and the designated broker-dealer(s), the client may pay higher brokerage fees or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the client's account than would otherwise be the case if the applicable sub-advisor(s) had the discretion to place orders for the purchase and sale of securities for the client's account through other broker-dealers. Furthermore, the sub-advisor(s) to the client's account may execute trades for the same securities for its other clients through other broker-dealers ahead of client's trades. By executing non-directed trades ahead of the client's directed trades, the client may receive less favorable executions prices to such sub-advisor's other clients due to, among other things, market movements. In addition, at times the sub-advisor(s) may aggregate trades ("Block Trades") of its other clients through other broker-dealers for the same securities as those being traded by the sub-advisor(s) through LSM for the client. Block Trades may obtain more favorable prices and brokerage charges than transactions excluded from the Block Trades.

In connection with its participation in various wrap programs (including those sponsored by LSM and by 3rd parties), LSM may recommend 3rd parties for custody or brokerage services. LSM may receive direct or indirect benefits through participation in these programs, such as receipt of client statements and confirmations, access to research related products and tools, discounts for conference attendance or prepared presentation materials and sales literature. Furthermore, in connection with its clearing arrangement with RBC, LSM receives a rebate from RBC on certain money market fund balances held by RBC for LSM's clients, including its wrap program clients.

#### BEST EXECUTION

LSM periodically reviews best execution practices of custodial and broker-dealer relationships to help LSM clients achieve best execution for their investment plans, including competitive commission rates, and securities transaction fees. Among several factors, LSM considers are: custodians and broker-dealer costs, skills, reputation, dependability, industry compliance practices, and compatibility with the client. Based on the results of this best execution analysis, LSM may recommend clients establish an account with certain custodians that may be able to offer the best alternative to implement their investment plan.

#### UNAFFILIATED PRIVATE INVESTMENT FUNDS.

LSM representatives, in their separate capacities as registered representatives of LSM, an SEC registered and FINRA member broker-dealer, may also offer clients investments in unaffiliated private investment funds on a non-discretionary commission basis.

Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Valuation. In the event that LSM references private investment funds owned by the client on any supplemental account reports prepared by LSM, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price.

#### **Item 13 – Review of Accounts**

Accounts are reviewed by the IAR on an annual or quarterly and as-needed basis to ascertain whether the current asset allocation is consistent with the client's objectives and goals. If a client has a significant change in their suitability profile, financial or lifestyle situation or goals they should notify their IAR promptly to update their information and ascertain if their current investment plan is still suitable or changes need to be made. Likewise, if there are significant market changes or industry occurrences, these could also trigger an investment review. Each IAR is responsible for reviewing their client's investment plan and making recommendations.

Clients receive account statements directly from the custodian of their account(s) on a quarterly, and if applicable, monthly basis. Clients may also receive confirmations of transactions directly from the custodian as generated. Clients participating in LSM's Wrap Fee Program should refer to LSM's Schedule H - Wrap Program Brochure for information on the nature and frequency of reports they are to receive.

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

LSM has current client referral arrangements with Millennium Bank, Eide Bailly, LLP, Sherif Abdalla, and McPherson Enterprises, LLC. Clients referred to LSM as a result of these arrangements will not be charged higher or additional fees due to the establishment of these arrangements. Compensation to the solicitor as part of these arrangements range from 20 – 50% of fees earned from clients referred. Arrangements are made in accordance with SEC Rule 206(4)-3 and with consideration of the client's state of residence. Clients who are referred must receive a Solicitor's Disclosure document for them to sign their acknowledgment of the solicitor's arrangements along with this ADV Brochure. Clients may be referred to and from The Lara Group, Ltd. with no additional compensation paid to either party in connection with such referrals. *Note: E. Ronald Lara, CFP® currently owns 3,895 shares of Millennium Bank private stock.*

### **Item 15 – Custody**

LSM as a firm, LSM IARs and employees are prohibited from having custody of client accounts or funds. No employee or IAR shall accept securities, hold client checks, directly debit or withdrawal from a client's account at the custodian for fees, serve as trustee for clients, have check writing authority on behalf of clients, have full power of attorney, serve as general partner of a private placement/private fund or managing member of a LLC for a pooled vehicle. Clients interested in bookkeeping services will be referred to an unaffiliated 3rd party outside of LSM. Clients should receive at least quarterly statements from their qualified custodian that holds and maintains the client's investment assets. LSM urges clients to carefully review such statements and compare such official custodial records to any reports that LSM provides. Statements from different custodians may vary from one to another based on their accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

For those clients wishing to participate in an established Discretionary Program offered by an IAR, LSM requires discretionary authority from the client at the outset of the advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account and in accordance to the Programs guidelines and strategy.

When selecting securities and determining amounts, the IAR observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions placed by the client must be provided to the respective IAR in writing.

### **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, LSM does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive their proxies or other solicitations directly from their custodian or transfer agent.

### **Item 18 – Financial Information**

Investment Advisors are required in this Item to provide you with certain financial information or disclosures about LSM's financial condition. LSM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.