

# Laurel Wealth Advisors, Inc. Wrap Fee Program Brochure

This wrap fee program brochure provides information about the qualifications and business practices of Laurel Wealth Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (760) 473-4109 or by email at: [lee.tripodi@gmail.com](mailto:lee.tripodi@gmail.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 Laurel Wealth Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Laurel Wealth Advisors, Inc.'s CRD number is: 157139

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Registration does not imply a certain level of skill or training.

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## **Item 2: Material Changes**

Laurel Wealth Advisors, Inc. is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure. At this time, there are no material changes to report about our Brochure.

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## Item 4: Services and Compensation

### A. Description of Services

Laurel Wealth Advisors, Inc. (hereinafter "LWA") offers the following wrap fee program services to advisory clients:

#### Investment Supervisory Services

LWA participates in and sponsors a wrap fee program for one client. This wrap fee program allows LWA to manage client accounts for a single fee that includes portfolio management services, custodial and any transaction or commission costs. The fees are payable quarterly in arrears and the final schedule for this program is represented below:

Total Assets Under Management	Annual Fee
\$1 - \$1,000,000	2.75%
\$1,000,001 - \$2,000,000	2.25%
\$2,000,001 - \$5,000,000	1.75%
Above \$5,000,000	1.50%

#### Services Limited to Specific Types of Investments

LWA limits its investment advice in this wrap fee program to equities. LWA may use other securities as well to help diversify a portfolio when applicable.

### B. Contribution Cost Factors

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program including the cost of the services if provided separately and the trading activity in the client's account.

### C. Additional Fees

Although the wrap fee program is one fee for all management and brokerage services, there may be additional fees not associated with the management of client's account. These fees may include national securities exchange fees, wire transfer fees, or other fees required by law.

### D. Compensation of Client Participation

Neither LWA, nor any representatives of LWA receive any additional compensation for the participation of client's in the wrap fee program. However, compensation received may be more

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than what would have been received if client paid separately for investment advice, brokerage, and to other services. Therefore, LWA may have a financial incentive to recommend the wrap fee program to clients.

## **Item 5: Account Requirements and Types of Clients**

There is no account minimum for this wrap fee program, and there is only one client.

## **Item 6: Portfolio Manager Selection and Evaluation**

### **A. Selecting/Reviewing Portfolio Managers**

LWA will not select any outside portfolio managers for management of this wrap fee program. Lee Alfred Tripodi will be the sole portfolio manager for this wrap fee program.

#### **1. Standards Used to Calculate Portfolio Manager Performance**

LWA will use industry standards to calculate portfolio manager performance.

#### **2. Review of Performance Information**

LWA reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The performance information is reviewed monthly and is reviewed by LWA.

### **B. Related Persons**

LWA and LWA's related persons act as portfolio manager(s) for the wrap fee program(s) previously described in this Wrap Fee Program Brochure. This may create a conflict of interest in that other investment advisory firms may charge the same or lower fees than LWA for similar services. LWA related person portfolio managers are not subject to the same selection and review as outside portfolio managers that participate in the wrap fee program. This is because LWA has chosen not to utilize outside portfolio managers.

### **C. Advisory Business**

LWA offers investment supervisory and financial planning services to its wrap fee program participants as detailed in Section 4 above. LWA limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, REITs, insurance products including annuities, and government securities. LWA may use other securities as well to help diversify a portfolio when applicable.

## Client Tailored Services and Client Imposed Restrictions

LWA will tailor a program for this individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by LWA on behalf of the client. LWA will not use "model portfolios" but rather a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent LWA from properly servicing the client account, or if the restrictions would require LWA to deviate from its standard suite of services, LWA reserves the right to end the relationship.

## Wrap Fee Programs

A wrap fee program is an investment program where the investor pays one stated fee that may include management fees, transaction costs, fund expenses, and any other administrative fees. LWA participates in a wrap fee program. LWA does manage the investments in the wrap fee program. LWA does not manage those wrap fee accounts any differently than non-wrap fee accounts. A portion of the fees paid to the wrap account program will be given to LWA as a management fee.

## Performance Based Fees

LWA may charge qualified clients<sup>1</sup> "performance fees" – that is, fees based on a share of capital gains on or capital appreciation of the managed assets of a client. LWA charges performance based fees as follows:

<u>Assets Under Management</u>	<u>Annual Percentage of Assets Charge*:</u>
All Assets	2.25%

\*LWA's fees are paid quarterly in arrears, and clients may terminate their contracts with ten days' written notice. Because fees are charged in arrears, no refund is necessary.

LWA also charges a performance based fee quarterly in arrears at the end of each quarter as follows:

20% of the net profits (i.e., profits after LWA's management fee has been deducted) achieved for the previous quarter of account management if annual return is equal to or greater than of 7%-10% (i.e., profits after LWA's management fee has been deducted and the account has achieved a 7%-10% net return) achieved for the previous year or pro-rata portion thereof (in cases where the client terminates before year's end or engages LWA's services mid-year) of account management. Performance fees will also be subject to a "High Water Mark" provision wherein performance fees will only be payable if the aforementioned return minimums are achieved and:

- The client's account exceeds its initial value at inception;

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<sup>1</sup> LWA is currently permitted to charge performance based fees only to clients with at least \$750,000 under management with our firm or a net worth of at least \$1.5 million. It is expected that the SEC will revisit this standard in the near future and tie the definition of a qualified client to inflation. It is unclear at this time whether the SEC will grandfather or exempt existing qualified clients being charged performance based fees from a greater financial threshold for meeting the qualified client standard should the definition change.

- The client's account exceeds its highest value from any preceding calendar year end;
- All provisions are analyzed net of deposits and/or withdrawals.

In charging performance fees to some client accounts, LWA faces a conflict because LWA can potentially receive greater fees from client accounts having a performance-based compensation structure than from those accounts LWA only charges a fee unrelated to performance (e.g., an asset-based fee). As a result, LWA may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee.

LWA has taken several important steps to ensure that our performance based accounts are not favored over our client's non-performance fee based accounts. These steps include:

- 1) A periodic comparison of our performance based and non-performance accounts. LWA's comparison will entail a review of our ten most profitable and ten least profitable (including unrealized gain or loss) investment decisions based on total return of positions opened and closed for each investment strategy or mandate offered to clients. LWA keeps track of securities ticker symbol, purchase date, sale date, percentage of gain and/or loss, and dollar amount of the gain and/or loss. In the event that LWA finds performance based accounts are being unduly (i.e., consistently) favored over non-performance based accounts, LWA would take action to address the situation. This could include allowing non-performance based accounts to trade before performance based accounts to the extent practicable, or if the problem persists, not allowing new performance based accounts, waiving performance based fees or cancelling performance based fee arrangements altogether and in some cases, termination of firm personnel.
- 2) The use of block trades and allocations made based on client's risk tolerance, investment objectives and restrictions. A periodic review of the block trade allocations to detect whether profitable trades are being disproportionately allocated to performance based accounts, while unprofitable trades are being disproportionately allocated to pure-fee based accounts with no performance fee. If LWA detects a problem in the allocation of block trades, remedies are the same as those outlined above.

## **Methods of Analysis and Risk of Loss**

LWA's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

**Charting analysis** involves the use of patterns in performance charts to predict long and short term performance or market trends. LWA uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.



**Technical analysis** involves the analysis of past market data; primarily price and volume. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

**Cyclical analysis** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security. Cyclical analysis assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

### **Investment Strategies and Risk of Loss**

LWA uses long term trading, short term trading, short sales, margin transactions, and options writing (including covered options, uncovered options, or spreading strategies).

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

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

### **Voting Client Proxies**

LWA will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 7: Client Information Provided to Portfolio Managers**

Lee Alfred Tripodi is the sole portfolio manager for LWA and this wrap fee program. All client information that is collected, including basic information, risk tolerance, sophistication level, and income level will be collected by Lee Alfred Tripodi. As that information changes and is updated, Lee Alfred Tripodi will have immediate access to that information once collected.

## **Item 8: Client Contact with Portfolio Managers**

LWA places no restrictions on client ability to contact its portfolio managers. Lee Alfred Tripodi can be contacted during regular business hours and his contact information is on the cover page of this brochure.

## **Item 9: Additional Information**

### **A. Disciplinary Action and Other Financial Industry Activities**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

#### **Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither LWA nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

#### **Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither LWA nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

#### **Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Lee Alfred Tripodi is the director of Tripodi Advisory Group, LLC a consulting company regarding financial business issues including expert witness. LWA always acts in the best interest of the client.

Lee Alfred Tripodi is a licensed insurance agent. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. LWA always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of LWA in their capacity as an insurance agent.

#### **Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

LWA does not utilize nor select other advisors or third party managers for this wrap fee program. All assets under this program are managed by LWA management.

### **B. Code of Ethics, Client Referrals and Financial Information**

#### **Code of Ethics**

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out

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in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>2</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

### **Recommendations Involving Material Financial Interests**

LWA does not recommend that clients buy or sell any security in which a related person to LWA has a material financial interest.

### **Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of LWA may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of LWA to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. LWA will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

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<sup>2</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

## **Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of LWA may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of LWA to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. LWA will always process clients transactions before its own when similar securities are being bought or sold.

## **Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

LWA does not receive any economic benefit, directly or indirectly from any third party for advice rendered to LWA clients.

## **Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly only by Lee Alfred Tripodi, President. Lee Alfred Tripodi is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at LWA are assigned to this reviewer. All financial planning accounts are reviewed upon financial plan creation and plan delivery by Lee Alfred Tripodi, President. There is only one level of review and that is the total review conducted to create the financial plan.

## **Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

## **Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly a written report that details the client's account which may come from the custodian.

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

## **Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

Our firm may recommend that clients establish brokerage accounts with Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), registered broker-dealers, Members SIPC, to maintain custody of Clients' assets and to effect trades for their accounts. Our firm is independently owned and operated and not affiliated with Schwab. Our firm may also recommend that Clients establish accounts with firms other than Schwab.

Our firm places trades for its Clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Our firm may use broker-dealers other than Schwab to execute trades for

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client accounts maintained at Schwab, but this practice may result in additional costs to clients so that we are more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers. For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Some of the products, services and other benefits provided by Schwab benefit us and may not benefit our firm's client accounts. Our recommendation/requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to us, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

Schwab also makes available to our firm other products and services that benefit us but may not benefit clients' accounts. These benefits may include national, regional or specific to our firm, educational events organized and/or sponsored by Schwab Institutional. Other potential benefits may include occasional business entertainment of personnel of our firm by Schwab Institutional personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist us in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of our firm's accounts, including accounts not maintained at Schwab Institutional. Schwab Institutional also makes available to us other services intended to help our firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. Schwab Institutional 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 us. While, as a fiduciary, Our firm endeavors to act in its clients' best interests, our recommendation/requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

But for soft dollar arrangements, we would have to obtain the aforementioned services and products for cash. As a result of receiving such products and services for no cost, we may have an incentive to continue to place Client trades through broker-dealers that offer soft dollar arrangements. This interest conflicts with the Clients' interest of obtaining the lowest commission rate available. Therefore, our firm must determine in good faith, based on the "best execution" policy stated above that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers.

From time-to-time our firm may make an error in submitting a trade order on a client's behalf. When this occurs, we may place a correcting trade with the broker-dealer which has custody of the client's account. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for the client to retain the gain, or our firm confers 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's account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the client's account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in the client's account, they may be netted.

### **Compensation to Non-Advisory Personnel for Client Referrals**

LWA does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### **Balance Sheet**

LWA does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither LWA nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **Bankruptcy Petitions in Previous Ten Years**

LWA has not been the subject of a bankruptcy petition in the last ten years.