

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

### **Laulima Family Offices, LLC**

February 14, 2012

#### **Principal Office**

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This brochure provides information about the qualifications and business practices of Laulima Family Offices, LLC. If you have any questions about the contents of this brochure, please contact, Theodore Rachlin, at 808-394-6922 or email at [ted@familyofficegrp.com](mailto:ted@familyofficegrp.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 Laulima Family Offices, LLC is also available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Unless otherwise indicated, the term "Laulima", "we", "us" or "our" is broadly used within this brochure to refer to Laulima Family Offices, LLC.

## Item 2: Material Changes

This brochure contains information about Laulima Family Offices, LLC upon its initial registration as an investment adviser with the SEC. There have been no material changes since its adoption.

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## Item 4: Advisory Business

Laulima is a multi-family office providing services to high net-worth individuals, families, and their trusts, etc. We offer a variety of investment advisory services, including investment management, consulting and supervisory services. Investment advisory services can either be provided on a discretionary or non-discretionary basis, and the scope of services can vary depending on the needs of the client.

In the performance of our wealth advisory services, Laulima assists a client in determining the client's investment needs and objectives, as well as risk tolerance, through analysis of the client's cash flow needs and the use of qualitative tools, such as interviews. We may recommend and utilize unaffiliated investment advisers to manage, in conjunction with Laulima, a client's portfolio. Such investment advisers usually will have discretion to determine the type and amount of securities to be purchased or sold for the client for such portions. We monitor those investment adviser's activities and consult with the client regarding the advice, services and recommendations provided by the other investment adviser regarding the assets subject to those services or advice to ensure they are appropriate to the client in light of the client's investment goals, risk tolerances and agreed upon asset allocation, as well as in light of other factors such as estate planning vehicles put in place by the client.

In addition to the above services, we may also provide general financial advice and other services not specifically related to securities. Such advice includes financial planning, estate planning, trust and fiduciary services and advice, general accounting, tax consulting and personal budget preparation, long-range income and expense projections, advice on private business ventures and other family office services.

Laulima was founded in 2008 and is owned by Theodore Rachlin, Managing Member. As of December 31, 2011, Laulima managed approximately \$167 million on a discretionary basis on behalf of approximately 9 clients. Assets advised and administered exclude non-managed assets for which we provide other services, such as financial planning, administration and/or consulting.

## **Item 5: Fees and Compensation**

Compensation for our investment management and wealth advisory services consists of a fixed annual advisory fee of 25 bps that is calculated based on the asset value of the client asset for which we provide services. Our fees are charged quarterly in advance based on the account value at the beginning of the quarter. Invoices are sent quarterly and clients may authorize fees to be deducted automatically from the client's account.

Generally, Laulima imposes a minimum annual fee of \$50,000 for family office services.

In certain circumstances we may charge a fixed fee for project based consultation work as agreed to by the client. Consultation fees are charged quarterly in advance. Clients are invoiced at the beginning of each calendar quarter.

Our fees are separate and distinct from fees and expenses charged by mutual funds and any other affiliated investment manager, which may be recommended for client accounts. A description of these fees and expenses are available in each fund's prospectus. Additionally, our fees are exclusive of all custodial and transaction costs paid to custodians, brokers or any other third parties. Clients should review all fees charged by Laulima, custodians and brokers and others (including but not limited to unaffiliated investment managers) to fully understand the total amount of fees incurred.

This agreement may be terminated by either party upon ninety (90) days prior written notice. Upon termination of the investment management and consulting agreement, we shall not be obligated to recommend any action with regard to any assets in the client's account. Laulima retains the right, however, to complete any transactions open as of the termination date and to retain amounts in the client's account to effect their completion. Upon termination, the client shall issue written instructions to Laulima regarding the client's account, and any unearned fees will be prorated to the effective date of termination.

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

Laulima does not charge performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to Laulima.

## **Item 7: Types of Clients**

Laulima primarily provides customized investment management services to high-net-worth families and associated trusts, estates, and other family organized entities.

Laulima imposes a minimum annual family office fee of \$50,000 amongst all family related accounts.

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

Our investment philosophy is focused on enhancing our clients' financial well-being. We generally begin by helping our clients define their goals, objectives and risk tolerances. We consider both long term and short term strategies dependent upon the client's goals and objectives. Once these investment parameters have been incorporated into an investment policy statement, we construct an asset allocation using internal and when appropriate, external strategies agreed upon with the client. Clients may impose restrictions or limitations on investing in certain securities or certain types of securities. Our approach is tailored to the each client's specific financial needs and circumstances.

However, such investment policy and asset allocation are often prepared in conjunction with clients' pre-existing investment advisers or other investment advisers that clients engage with our assistance and at our recommendation. In those cases, we work closely with the other investment adviser to coordinate that other investment adviser's recommendations (e.g. as to security selection or manager or fund selection) with the client's investment goals and objectives, risk tolerance and agreed upon asset allocation.

Investing in securities and other assets involves a potential risk of loss due to various market, economic, political, regulatory, business, currency and other risks. We do not guarantee the future performance of any client account, investment decision or strategy. Future results may vary substantially from past performance and no investment strategy can guarantee profit or protection from loss. Returns on investments can be volatile and an investor may lose all or a portion of their investment.

### Equity Securities

Equity and equity-related investments are volatile and will increase or decrease in value based upon issuer, economic, market and other factors. Small capitalization stocks generally involve higher risks in some respects than do investments in stocks of larger companies and may be more volatile.

### Non-U.S. Securities

The securities of non-U.S. issuers also involve a high degree of risk because of, among other factors, the lack of public information with respect to such issuers, less governmental regulation of stock exchanges and issuers of securities traded on such exchanges and the absence of uniform accounting, auditing and financial reporting standards.

### Fixed Income Securities

Investments in fixed income securities are subject to credit, liquidity, prepayment, and interest rate risks, any of which may adversely impact the price of the security and result in a loss. The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

### Private Funds

Alternative investments, such as hedge funds and private equity/venture capital funds, are speculative and involve a high degree of risk. There is no secondary market for alternative investments and there may be significant restrictions or limitations on withdrawing from or transferring these types of investments. Private equity funds generally require an investor to make and fund a commitment over several years. Alternative investments generally have high fees (including both management and performance based fees) and expenses that offset returns. Alternative investments are generally subject to less regulation than publicly traded investments.

### Third Party Investment Managers

The use of third party managers in investment programs involves additional risks. The success of the third party manager depends on the capabilities of its investment management personnel and infrastructure, all of which may be adversely impacted by the departure of key employees and other events. The future results of the third party manager may differ significantly from the third party manager's past performance.

The investment risks described above represent some but not all of the risks associated with various types of investments and investment strategies. Clients should carefully evaluate all applicable risks with any investment or investment strategy, and realize that investing in securities involves risk of loss that clients should be prepared to bear.

## **Item 9: Disciplinary Information**

Laulima and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

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

Laulima and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

To avoid any potential conflicts of interest involving personal trades, we are adopting a securities compliance policy, which includes a formal Code of Ethics (the "Code") and insider trading policies and procedures. Our Code requires, among other things, that our employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Laulima above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

Our Code also requires employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide us with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which employees have a direct or indirect beneficial interest.

A copy of our Code is available to any client or prospective client upon request.

## **Item 12: Brokerage Practices**

In many cases, clients have selected unaffiliated investment managers to handle the day-to-day investment of client accounts. To the extent that unaffiliated investment managers selected by the client purchase from other broker-dealers securities on which brokerage commissions or sales loads are charged, we rely upon the fiduciary responsibility of each unaffiliated investment manager to review such charges regularly and continuously based on comparative standards that it may regard as pertinent for the purpose of evaluating the reasonableness of such commissions.

Where a client directs the use of a particular broker-dealer, or broker-dealers, we may not be in a position where we can negotiate commission rates or spreads or obtain volume discounts; thus, best price may not be achieved. In addition, transactions for a client that directs brokerage may not be aggregated with orders for the same securities for other accounts managed by us. Accordingly, directed transactions may be subject to price movements, particularly in volatile markets, that may result in the client receiving less favorable pricing. Under these circumstances, the direction by a client of a particular broker or dealer to execute transactions may result in higher commissions, greater spreads, or less favorable net prices, including minimum ticket charges, than might be the case if we could negotiate commission rates or spreads freely or select brokers or dealers based on best execution.

We currently do not aggregate the purchase or sale of securities for client accounts but reserve the possibility of doing so. Transactions are usually aggregated to seek a lower commission, lower costs, or a more advantageous net price. Consequently, clients may be subject to higher transactions costs as a result of not aggregating client transactions.

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

Accounts under our management are monitored on an ongoing basis by Theodore Rachlin, Managing Member. Client accounts are reviewed in detail on at least a weekly basis, as well as in connection with each client meeting. Client accounts are reviewed to ensure that, among other things, asset allocation is in line with stipulated guidelines, transactions are properly posted, the execution of any changes have been completed, and manager transfers have been completed. Reviews of client accounts will also be triggered if a client changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Laulima provides clients with organized high level quarterly reports that summarize transaction activity, asset allocation, and changes in capital balances. Clients also receive quarterly reports from the their third party manager or custodian providing detail portfolio holdings and transaction activity.

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

Laulima does not pay a portion of its advisory fees to any person in connection with that person's referral of a client to Laulima.

Laulima does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

### **Item 15: Custody**

Laulima does not provide custodial services to its Clients. Clients select banks or registered broker-dealers that are "qualified custodians" to provide custody of client assets. However, Laulima is deemed to have custody of client funds or securities due to the fact that it, or a related person, may have the ability to obtain possession of client funds and/or securities pursuant to having power of attorney and/or signatory authority over the clients' accounts. Client accounts over which Laulima has custody will be subject to a surprise audit by an independent public accountant. Copies of the audited financial statements will be delivered to our clients. Clients should carefully review these statements, and should compare these statements to any account information provided by Laulima.

### **Item 16: Investment Discretion**

Some clients have provided Laulima with investment discretion over their accounts. Other clients utilize Laulima's investment advisory services and other services on a non-discretionary basis.

Clients for whom Laulima provides discretionary advisory services may impose reasonable restrictions on our investment discretion. Some clients have instructed Laulima to ensure that third party managers do not buy or sell certain securities, for example, securities with a low tax basis.

### **Item 17: Voting Client Securities**

Laulima will not vote (by proxy or otherwise) in any matter for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held in the client's account. With regard to all other matters for which shareholder action is required or solicited with respect to securities beneficially held by the client's account such as (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) bankruptcies or reorganizations), Laulima affirmatively disclaims responsibility for voting (by proxies or otherwise) on such matters and will not take any action with regard to such matters.

A copy of Laulima's proxy voting policies and procedures are available upon written request.

### **Item 18: Financial Information**

A balance sheet is not required to be provided as Laulima (i) does not solicit fees more than six months in advance, (ii) does not have a financial condition that is likely to impair its ability to meet contractual commitments to clients and (iii) has not been subject to any bankruptcy proceeding during the past 10 years.