

LVM Capital Management, Ltd.  
7840 Moorsbridge Portage, MI 49024  
269-321-8120  
[www.lvmcapital.com](http://www.lvmcapital.com)

This September 30, 2014 Brochure provides information about the qualifications and business practices of LVM Capital Management, Ltd. ("LVM", "we"). If you have questions about the contents of this Brochure, please contact LVM at 269-321-8120 or email [info@lvmcapital.com](mailto:info@lvmcapital.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. LVM's Brochure may be requested by calling 269-321-8120 or emailing [info@lvmcapital.com](mailto:info@lvmcapital.com). LVM's Brochure is also available at [www.lvmcapital.com](http://www.lvmcapital.com).

LVM is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about LVM Capital Management, Ltd. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with LVM who are registered or are required to be registered as investment adviser representatives of LVM Capital Management, Ltd.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of LVM's fiscal year. We may further provide other ongoing disclosure information about material changes as necessary. We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

## **Item 2 – Material Changes**

Since LVM's last brochure update on December 15, 2013, there was one material change. In September 2014, principal Michelle Eldridge left LVM.

**Item 3 -Table of Contents**

## Section A

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

## Item 4 – Advisory Business

LVM, founded in July 1988, furnishes primarily wealth management services by integrating investment supervisory services and financial planning. Craig A. Vander Molen, CFA, CPWA®, is the majority owner. Investment supervisory services include continuous advice as to the investment of funds on the basis of individual needs of the client. Financial planning includes collecting, organizing, and analyzing a client's financial data to provide optimal wealth design through appropriate account structure (including taxable and non-taxable accounts and strategies used within each) and income tax and estate tax strategies on the basis of the individual needs of the client. LVM considers such factors as the size and source of the account, client's identity and background, the client's income and growth objectives, cash flow needs, income tax bracket, potential federal and state estate taxes, and the client's relative risk aversion. The individual needs and situation of each client dictate whether or not both investment supervisory and financial planning services are utilized. Clients may impose investment restrictions on individual securities or security types. LVM does not provide investment advice on all possible investment types.

In one case, LVM is retained under a wrap-fee program. In a wrap fee program a broker/dealer recommends LVM to manage a client's assets, pays LVM's investment management fees on behalf of the client, executes the client's securities transactions without commission charges, monitors the portfolio performance and may also act as custodian, or provides some combination of these or other services, all for a single fee. LVM's investment advisory fee in a wrap-fee arrangement may vary from that charged to wealth management clients. In evaluating such a program, a client should understand that LVM cannot negotiate brokerage commissions. Transactions are effected "net" and a portion of the wrap fee is generally considered in lieu of explicit brokerage commissions. Trades will be generally executed with the referring broker to avoid incurring the incremental brokerage costs that would be incurred using other broker/dealers. In evaluating a wrap fee arrangement, the client should consider whether, depending on the amount of the wrap fee, the amount of portfolio activity and the value attributed to monitoring, custodial, and any other services provided, the wrap fee would exceed the cost of such services if they were separately provided and LVM were free to choose broker/dealers to execute portfolio transactions.

In limited cases, LVM is retained for investment management only for clients who receive financial planning from a broker/dealer's registered representatives. At the broker/dealer's specific request, LVM invoices these joint clients for both its investment management fee and the broker/dealer's registered representative fees, remitting to the broker/dealer its portion of the fee.

As of June 30, 2014, LVM managed \$475,280,289 discretionary assets and \$19,960,844 non discretionary assets.

## Item 5 – Fees and Compensation

LVM receives a fee for wealth management services in an amount established with each client and specified in the client's investment advisory agreement. The general fee schedule is:

<u>Market Value of the Account</u>	<u>\$ or Percent Annual Fee</u>
< \$1,200,000	\$15,000/year
\$1,200,000 to \$2,000,000	1.25 %
\$2,000,000 to \$10,000,000	1.00 %
> \$10,000,000	Negotiated

The fee may be higher or lower depending on the size of the account, services rendered, or for a family relationship or charitable organization. Up to an additional 0.30% annual fee may be charged on the equity portion of accounts where covered call or put option strategies are used. Other fee arrangements may be negotiated with individual clients including fixed fees or hourly fees, particularly, but not exclusively, in the production of a financial plan. Generally, fees are invoiced and payable quarterly in arrears. Fees are based on the market value of each account on the last day of the quarter. Clients may choose to have fees debited directly from an advised account or may pay by check. A client may terminate the investment advisory agreement at any time upon thirty days prior written notice. The fees for the quarter in which termination occurs will be prorated.

Because LVM also provides investment management only, its fees in this instance may be different than the above wealth management fee schedule. LVM may in those cases negotiate with a registered representative so that the client's total fee is not more than the fees stated in the wealth management fee schedule above.

Any client who is invested in shares of mutual funds, exchange traded funds, or other investment companies ("Funds") is subject to additional advisory fees and expenses as set forth in the prospectus of such Funds, paid by the Funds, but ultimately borne by the investor. These fees are in addition to any LVM fees. LVM does not receive any portion of these fees. LVM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Refer to section 12 for more information on LVM's brokerage practices.

Clients selecting a bank trust company as a custodian typically pay an explicit custody fee to the bank for its services. This fee is in addition to any LVM fees. All client accounts (except those under a wrap fee) bear the cost of explicit trading commissions and brokerage fees regardless of custodial arrangement. Occasionally LVM will execute a "trade away", where a broker custodian is not the executing broker but settles the trade on a delivery versus payment basis. Generally the broker custodian charges a nominal flat fee for this service. This fee is in addition to any LVM fees. A trade away occurs when LVM determines that a client's total trade proceeds are optimized versus the same trade with the broker custodian. Item 12 further describes the factors that LVM considers in selecting or recommending broker/dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

LVM, occasionally and only at the request of a client, reviews and offers advice on interests in partnerships investing in assets other than real estate and oil and gas interests. LVM receives a wealth management fee on real estate limited partnerships that are part of a client's managed assets. LVM, as part of its financial planning function for some wealth management clients, reviews and offers advice on various types of life insurance and annuities. LVM, occasionally, and only at the request of the client, reviews and offers advice on long term healthcare insurance. LVM does not receive fees or commissions on the purchase or sale by clients, life insurance, annuities, or long-term care insurance and does not receive compensation for referring clients to other financial professionals for analysis of these vehicles.

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

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

## **Item 7 – Types of Clients**

LVM provides wealth management services to individuals, high net worth individuals, bank trust departments, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, businesses, and other U.S. institutions. LVM generally requires a minimum of \$1,000,000 to establish an investment advisory or wealth management relationship, but takes into consideration the interrelationships of accounts and client referrals and occasionally makes exceptions to this guideline.

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

**Investing in securities involves risk of loss that clients should be prepared to bear. Investing in publicly-traded mark-to-market securities always poses market risk and company-specific risk that clients should be prepared to bear.** LVM uses Bloomberg, the Zacks Research system, and Thinkpipes through which it accesses a wide variety of data including, but not limited to, historical financial information and earnings estimates for companies followed by most Wall Street analysts. LVM uses a fundamental approach to investing that emphasizes traditional valuation measures for selecting individual securities. These measures (including, but not limited to, price/earnings, price/book, price/sales, cash flow, return on equity, return on invested capital, leverage ratios, and spread versus U.S. Treasuries) are compared with a security's historic measures as well as to overall market measures. LVM also uses asset allocation (balancing a portfolio's holdings among various asset classes) to reduce the risk of permanent loss of capital over longer periods of time. Generally LVM intends to hold positions in client accounts over one year, although occasionally securities are purchased and sold in shorter periods. Taxable accounts may be treated differently than tax-deferred accounts. In addition, accounts using covered call strategies may experience more frequent portfolio turnover as stock may be delivered via option assignment. More frequent trading will increase client brokerage commissions and may produce short-term capital gains or losses. Clients writing put options face the risk of having to purchase a security at a specific price in the future.

LVM, occasionally and only at the request of a client, reviews and offers advice on interests in partnerships investing in assets other than real estate and oil and gas interests. LVM, as part of its financial planning function for some wealth management clients, reviews and offers advice on various types of life insurance and annuities. LVM, occasionally, and only at the request of the client, reviews and offers advice on long term healthcare insurance.

### **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 your evaluation of LVM or the integrity of LVM's management. In July 2013, LVM entered a stipulation and consent agreement with the State of Florida's Office of Financial Regulation for the inadvertent omission of a Form U-4 filing. Craig A. Vander Molen's U-4 filing in Florida is current as of July 2013.

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

Neither LVM nor its principals are registered with or have an application pending to register as a broker/dealer, futures dealer, commodity adviser, or as an associated person of the foregoing entities.

### **Item 11 – Code of Ethics**

The LVM Capital Management (the "Company") Code of Ethics (the "Code") sets forth a standard of business conduct required of all employees. The Code mandates honest and ethical conduct at all times. This Code of Ethics supplements the policies and procedures contained in the Company's Compliance Manual and departmental manuals. This Code of Ethics reflects the Company's values of responsible business and personal ethics, respect, teamwork, innovation, and excellence. Clients or prospective clients will be provided a copy of the Code of Ethics upon request at no cost. All supervised persons at LVM must acknowledge the terms of the Code of Ethics annually, or as amended.

The employees of LVM occasionally buy or sell, for their personal accounts, securities that LVM also recommends to clients. It is LVM's policy that transactions for its clients have priority over personal transactions of LVM or its employees and personal transactions do not operate adversely to clients' interests. To avoid conflicts of interest, no personal transactions for LVM or its employees in a particular security are permitted when client orders to buy or sell the same are outstanding. LVM employs a computerized personal employee transaction reporting and preclearance system. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of LVM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under LVM's Policies and Procedures and the Code of Ethics certain classes of securities have been designated as exempt transactions, based on a determination that these would not materially interfere with the best interests of LVM's clients.

LVM does not affect principal transactions for client accounts. LVM, using an independent broker/dealer, occasionally crosses trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker/dealer, buys from or sells any security to any advisory client. A cross trade occurs when a broker/dealers executes both a buy and a sell for the same security from one client account to another where both accounts are managed by the same investment adviser. In this case, the (independent) broker/dealer has determined the price for the trade based on the current market and LVM has determined that the trade is beneficial for both clients at that price.

### **Item 12 – Brokerage Practices**

Generally, LVM is retained on a discretionary basis and is authorized to determine and direct execution of portfolio transactions within the client's specified investment objective without consultation with its client on a transaction-by-transaction basis. LVM prefers to select broker/dealers who will execute portfolio transactions and generally the client leaves that selection to LVM, although occasionally a client may direct the use of a particular broker/dealer to execute portfolio transactions. Clients may limit discretionary authority in terms of type or amount of securities to be bought or sold or the broker/dealer to be used or the commission rates to be paid. Some clients retain LVM on a non-discretionary basis, requiring that portfolio transactions be discussed in advance and executed at the client's direction. LVM's overriding objective in the selection of broker/dealers is to obtain the best combination of price and execution. Best price, giving effect to brokerage commission, if any, and other transactions costs, is normally an important factor in this decision, but the selection also takes into account the quality of brokerage services, including such factors as execution capability, willingness to commit capital, financial stability, and clearance and settlement capability. Executions are monitored on a regular basis

for all accounts regardless of brokerage arrangements. This regular review of execution will generally consist of comparing the time and price of when a trade is entered, and the time and price of when a trade has been executed. Periodically, LVM will conduct a test of those broker/dealers generally used by LVM to compare performance on the execution of trades.

Fixed income securities are generally purchased from a primary market maker acting as principal or from a broker/dealer acting as agent on a net basis with no brokerage commission paid by the client. Such securities, as well as equity securities, may also be purchased from underwriters at prices which include underwriting fees.

Where more than one broker/dealer is believed to be capable of providing the best combination of price and execution with respect to a particular portfolio transaction, LVM sometimes selects a broker/dealer which furnishes it research (proprietary or third party), including: research reports on companies, industries, and securities; economic and financial data; financial publications; computer databases; quotation equipment and services; and research-oriented computer hardware, software and services. These may include, but are not limited to Bloomberg terminals, Zacks Research system and access to Zacks earnings estimates, Thomson Reuters research databases, and Crandall-Pierce economic data. These selections and the amount of brokerage given a particular broker/dealer are not made pursuant to any agreement or commitment with any of the selected broker/dealers for research provided. However, LVM maintains an internal allocation procedure to identify those broker/dealers who have provided it with research and the amount of research provided and tries to direct sufficient commissions to them to ensure the continued receipt of research LVM believes useful. LVM may pay broker/dealers who supply it with research higher commissions than those obtainable from other broker/dealers customarily used by LVM who do not supply it with research. Commissions paid to brokers in exchange for research are commonly referred to as soft dollars. Soft dollars are a benefit to LVM because it does not need to pay for these research applications and products from its corporate funds. LVM may have an incentive to select or recommend a broker/dealer based on its interest to receive research applications and products through soft dollars. However, this does not eliminate LVM's fiduciary duty to seek best execution for client trades.

The reasonableness of brokerage commissions is evaluated on an on-going basis. LVM periodically reviews the general level of commissions paid and LVM's ability to negotiate commissions based on volume. Research furnished by broker/dealers may be used in services for any or all of the clients of LVM and may be used in connection with accounts other than those which pay commissions to the broker/dealer providing the research.

During the year ended June 30, 2014, LVM placed brokerage transactions involving commissions of approximately \$107,025 (including transactions for broker/dealers designated by clients). Approximately 20% of the total commissions paid on transactions and 100% of the commission not designated by clients during the year were with broker/dealers that supplied LVM with research services.

If a client directs the use of a particular broker/dealer, LVM asks that the client also specify (1) general types of securities for which the designated firm should be used and (2) whether the designated firm should be used for all transactions, even though LVM might be able to obtain a more favorable net price and execution from another broker/dealer in particular transactions. A client who designates use of a particular broker/dealer, including a client who directs use of a broker/dealer which will also serve as custodian (whether or not recommended by LVM) should consider whether, under that designation, commission expenses, execution, clearance and settlement capabilities, and whatever amount is regarded as allocable to custodian fees, if applicable, will be comparable to those otherwise obtainable by LVM. A client who designates use of a particular broker/dealer should understand that he/she will lose the possible advantage which non-designating clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security, and LVM may not be authorized to negotiate commissions on behalf of the client or otherwise be able to obtain volume discounts or best execution of transactions. LVM favors neither accounts designating a particular broker/dealer nor those not designating in its trading of securities.

Orders to buy or sell shares or write call or put options may be aggregated. Clients designating the use of a particular broker/dealer should understand that aggregate orders for those clients not designating a particular broker/dealer may be given priority. LVM does not aggregate client stock, bond, or option orders if it believes that aggregation would increase clients' execution costs. Allocation of shares per client is indicated before an aggregate order is placed. If an aggregate stock order is entirely filled, it will be allocated among clients according to the original allocation. If an aggregate stock order is not entirely filled, shares are allocated depending on the percentage of the aggregate order bought or sold. If the aggregate stock order is less than fifty percent complete, the order is allocated randomly to clients. The random selection of clients and allocation of shares occurs within LVM's Moxy trading system. If the aggregate stock order is fifty percent or more

complete, clients receive a pro rata allocation of shares. When an aggregate stock order is not entirely filled and the broker dealer is not the custodian, the broker dealer's commission is allocated pro rata. The proration of stock shares (and commissions when necessary) occurs within LVM's Moxy trading system. If an aggregate call or put option order is not entirely filled, the order will be filled starting with the client with the largest number of options to the client with the smallest number of options based on the original allocation. This process is reversed on the next option order not entirely filled and allocates from the client with the smallest number of options in the order to the client with the largest. This process reverses each time an aggregate option order is not entirely filled. The LVM trading desk keeps an internal accounting to maintain the integrity of this aggregate option order process. While LVM's overriding objective in affecting portfolio transactions is to receive the best combination of price and execution, it is not always practicable to pro rate some aggregate orders, including, but not limited to, aggregate orders with odd lot allocations, aggregate "limit" orders, or option trades. In such cases, allocations on a different basis will be approved by the compliance officer only if all participating clients receive fair treatment.

LVM recommends that a client use a bank trust company or broker/dealer as custodian for client assets. In recommending any of these, LVM considers a client's principal residence, asset reporting requirements, personal service requirements, portfolio size, probable trading activity and probable asset allocation, explicit and implicit costs, and LVM's prior general experience, if any, with the custodian. LVM also occasionally suggests the use of brokers when the suggested broker is not the custodian. In doing so, LVM considers the broker/dealer's execution, clearance and settlement capabilities, whether the broker/dealer offers insurance in excess of the insurance afforded by the Securities Investor Protection Corporation, LVM's knowledge of the broker/dealer's financial stability and capabilities, the broker/dealer's willingness to negotiate commission rates, and the value of research services provided to LVM. Clients may pay higher commissions when brokers which provide research services are used. Research furnished by these suggested brokers may be used for any or all of LVM's clients and may be used connection with accounts other than those which pay commissions to the broker/dealer providing the research.

LVM participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker/dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under Item 14.)

### **Item 13 – Review of Accounts**

Each account is reviewed on an ongoing basis by the principal/portfolio manager for appropriateness and relative value of the investments. All portfolios are reviewed annually by the firm's principals, comprised of portfolio managers, financial planners, and compliance personnel, for conformity to current investment policy and strategy, and the goals and objectives of the client. Financial plans are updated and reviewed throughout the year as clients provide new information to LVM's financial planning staff. Financial plans are reviewed prior to client presentation by the financial planning team and the portfolio manager.

The reviewers are Craig A. Vander Molen, Managing Principal, principals L. Leonard Harrison, David P. Cleveland, and Charles A. Prudhomme, and associates Tyler W. Alvord and Jordan J. Rummel. Cleveland is also the chief compliance officer and Prudhomme the assistant chief compliance officer. Each principal/portfolio manager is responsible for, on average, fifty client relationships. Many clients maintain multiple accounts.

Wealth management clients receive, not less frequently than quarterly, a statement of assets for each account and annually a financial plan or plan update. Asset statements may be sent to clients via regular mail or electronically (via e-mail). Investment advisory only clients receive, not less frequently than quarterly, a statement of assets for each account. Several clients, at their request, receive an annual statement of assets from LVM. These clients do not desire duplicate statements from LVM and their custodians. Custodians provide monthly statements to clients via regular mail or electronically (via email). Other information may be provided by arrangement with each client.

Generally an LVM principal meets in person with a client at least annually and in many cases more frequently, up to quarterly. Client investment portfolios and financial plans are reviewed at these meetings and clients receive multiple written reports including, but not limited to, capital markets outlooks, portfolio appraisals, asset allocations, investment performance, net worth, annual cash flow, and estate charts.



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

LVM participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

LVM also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. These benefits received by LVM from either program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Specifically, the Additional Services include maintenance services from Advent Software relating to LVM's Axy's client accounting system. The cost of these services is not material to LVM. TD Ameritrade provides the Additional Services to LVM at its sole discretion and its own expense and LVM does not pay any fees to TD Ameritrade for the Additional Services. LVM and TD Ameritrade have entered a separate agreement to govern the terms and provisions of the Additional Services Addendum.

LVM's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to LVM, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in and trades placed for LVM's client accounts maintained with TD Ameritrade. These benefits received by LVM, or its associated persons, do not depend on the amount of brokerage transactions directed to TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services agreement with LVM, in its sole discretion, provided certain conditions are met. Consequently, to continue to obtain the Additional Services from TD Ameritrade, LVM may have an incentive to recommend to its clients that the assets under management by LVM be held in custody with TD Ameritrade and to place transactions for the client accounts with TD Ameritrade.

As part of its fiduciary duties to clients, LVM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by LVM creates a potential conflict of interest. These benefits may indirectly influence the LVM's choice of TD Ameritrade for custody and brokerage services. LVM's receipt of Additional Services does not diminish LVM's duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

LVM receives some economic benefit from non-clients in connection with giving advice to clients. This benefit derives from placing transactions with broker/dealers who provide LVM with equipment and other information used in its research activities. Research furnished by broker/dealers may be used in services for any or all of LVM's clients and may be used in connection with accounts other than those which pay commissions to the broker/dealer providing the research. LVM's overriding objective in effecting portfolio transactions is to seek the best combination of price and execution. LVM does not enter agreements with, or make commitments to, any broker/dealer that would bind LVM to compensate that broker/dealer, directly or indirectly, for client referrals. However, (except in the case of ERISA accounts) when one or more broker/dealer is believed capable of providing the best price and execution with respect to a particular transaction, LVM may select a broker/dealer in recognition of the broker/dealer's past referral of the particular client for whom the transaction is being executed, or of another client, or in recognition of possible future referrals from that broker. In doing



so, except where specifically disclosed to the client, LVM does not pay higher commissions than those otherwise obtainable from other broker/dealers in return for such referrals.

LVM receives client referrals from Integrated Tax Analytics, Inc. ("ITA"). Howard Lang is the sole shareholder, officer, and director of ITA. LVM pays ITA a percentage of its annual investment advisory fee for a referral which become a client as long as the client retains LVM. This percentage fee is the only fee LVM pays ITA for client referrals. LVM does not charge clients referred through ITA investment advisory fees greater than the fees it charges clients with similar portfolios who were not referred by ITA. LVM and ITA are independent businesses. Howard Lang and /or ITA do not supervise LVM and have no responsibility for LVM's management of client portfolios or LVM's other services.

LVM receives client referrals from TD Ameritrade through its participation in TD Ameritrade Institutional AdvisorDirect (the "referral program"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, LVM may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker/dealer independent of and unaffiliated with LVM and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. LVM may accept clients through Advisor Direct that do not meet LVM's minimum account size or fee structure for wealth management as described in Item 7. TD Ameritrade does not supervise LVM and has no responsibility for LVM's management of client portfolios or LVM's other advice or services.

LVM pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to LVM ("Solicitation Fee"). LVM will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by LVM from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. LVM will neither charge clients referred through AdvisorDirect any fees higher than its standard fee schedule offered to its clients nor otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

LVM's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, to obtain client referrals from TD Ameritrade, LVM may have an incentive to recommend to clients that assets under management be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, LVM has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. LVM's participation in Advisor Direct does not diminish its duty to seek best execution of trades for client accounts.

## **Item 15 – Custody**

LVM does not directly hold client assets or securities and uses qualified independent custodians, either bank trust departments or broker/dealers to custody client accounts. Clients should receive at least quarterly statements from the broker/dealer or bank trust department that holds and maintains client's investment assets. LVM urges clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to them. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. LVM's wealth management clients receive, not less frequently than quarterly, a statement of assets for each account and annually a financial plan or plan update. Asset statements may be sent to clients via regular mail or electronically (via e-mail). Investment advisory only clients receive, not less frequently than quarterly, a statement of assets for each account. Several clients, at their request, receive an annual statement of assets from LVM. These clients do not desire duplicate statements from LVM and their custodians. Custodians provide monthly statements to clients via regular mail or electronically (via email). Other information may be provided by arrangement with each client.

## **Item 16 – Investment Discretion**

LVM is retained on a discretionary basis via a written investment advisory contract. In the contract, LVM is authorized to determine and direct execution of portfolio transactions within the client's investment objectives from the client's written

personal investment statement without consultation with the client on a transaction-by-transaction basis. LVM prefers to select broker/dealers who will execute portfolio transactions and generally the client leaves that selection to LVM, although occasionally a client may direct the use of a particular broker/dealer to execute portfolio transactions. Clients may limit discretionary authority in terms of type or amount of securities to be bought or sold or the broker/dealer to be used or the commission rates to be paid. Some clients, via a written investment advisory contract, retain LVM on a non-discretionary basis, requiring that portfolio transactions be discussed in advance and executed at the client's direction.

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

Unless otherwise specifically agreed in writing, LVM will not be required to take any action, or render any advice, with respect to the voting of securities in client accounts. Accounts subject to the Employee Retirement Security Act of 1974 (ERISA) are not exempted from voting under this section. Clients may obtain a copy of LVM's complete proxy voting policies and procedures upon request by calling 269-321-8120 or via email at [info@lvmcapital.com](mailto:info@lvmcapital.com). ERISA clients or those clients for whom LVM has agreed in writing to vote proxies may also obtain information from LVM about how LVM voted any proxies on behalf of their account(s). To minimize conflicts of interest and clarify issues, LVM will, at any client's request, discuss its proxy voting policies.

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

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about LVM's financial condition. LVM 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.