

# Disclosure Brochure

March 21, 2014

## **Legacy Private Client Group**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Legacy Private Client Group (hereinafter "Legacy"). If you have any questions about the contents of this brochure, please contact Ryan N. Shubin at (949) 207-3243. 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 Legacy Private Client Group is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Legacy Private Client Group is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This section of the disclosure brochure discusses only the material changes that have occurred since Legacy's last annual update of the disclosure brochure.

### **Amendment to Item 4: Advisory Business**

Legacy has updated the amount of its regulatory assets under management. As of December 31, 2013 Legacy had \$103,543,161 of total assets under management with \$6,103,950 on a discretionary basis and \$97,439,211 on a non-discretionary basis.

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## Item 4. Advisory Business

Legacy is an investment advisory firm dedicated to serving the financial needs of individuals and institutions. The Firm provides investment management and financial planning services, and works with its clients to develop a plan that is customized to their individual goals and investment objectives.

Prior to engaging Legacy to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Legacy setting forth the terms and conditions under which Legacy renders its services (collectively the “*Agreement*”).

Legacy has been in business since November 2011. Robert Roman and Ryan Shubin are the firm’s principals. Since this is the firm’s initial filing, it currently does not have any assets under management to report. As of December 31, 2013 Legacy had \$103,543,161 of total assets under management with \$6,103,950 on a discretionary basis and \$97,439,211 on a non-discretionary basis.

This Disclosure Brochure describes the business of Legacy. Certain sections may also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Legacy’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Legacy’s behalf and is subject to Legacy’s supervision or control.

### Investment Management Services

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Clients can engage Legacy to manage all or a portion of their assets on a discretionary or non-discretionary basis. The Firm may provide clients with financial planning services as part of the overall investment management offering. The financial planning services may include, among other things, retirement, college and business planning as well as budgeting, cash flow, tax and insurance needs of the client.

Legacy primarily allocates clients’ investment management assets among *Independent Managers* (as defined below), mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities and/or options in accordance with the investment objectives of the client. In addition, Legacy may recommend that clients who are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity, and/or pooled investment vehicles when consistent with the clients’ investment objectives. Legacy also provides advice about any type of investment held in clients’ portfolios.

Legacy also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client’s primary custodian. In so doing, Legacy either directs or recommends the allocation of client assets among the various investment options that are

available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Legacy tailors its advisory services to the individual needs of clients. Legacy consults with clients initially and on an ongoing basis, and, for institutional and certain individual clients, prepares an investment policy statement to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. The Firm ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Legacy if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Legacy's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Legacy's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Use of Independent Managers**

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As mentioned above, Legacy recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between Legacy or the client and the designated *Independent Managers*. Legacy renders services to the client relative to the discretionary and non-discretionary selection or recommendation of *Independent Managers*. Legacy also monitors and reviews the account performance and the client's investment objectives. Legacy receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When recommending or selecting an *Independent Manager* for a client, Legacy reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that Legacy considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Legacy's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by Legacy, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to Legacy's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive

account requirements and varying billing practices than Legacy. In such instances, Legacy may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

If Legacy refers a client to an *Independent Manager* where Legacy's compensation is included in the advisory fee charged by such *Independent Manager* and the client engages the *Independent Manager*, Legacy is compensated for its services by receipt of a fee to be paid directly by the *Independent Manager* to Legacy in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee is paid solely from the *Independent Manager's* investment management fee, and does not result in any additional charge to the client.

### **Sponsor and Manager of Wrap Program**

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Legacy is the sponsor and manager of the Legacy PCG Wrap Program (the "*Program*"), a wrap fee program. In the event the client participates in the *Program*, Legacy provides its investment management services and arranges for brokerage transactions under a single annualized fee. Participants in the *Program* may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the *Program's* terms and conditions (including fees) are contained in the *Program's* wrap fee brochure.

## Item 5. Fees and Compensation

Legacy offers its services (which may also include financial planning) for an annual fee based upon a percentage of the market value of the client's assets. Additionally, certain of Legacy's *Supervised Persons*, in their individual capacities, may offer securities brokerage services and insurance products under a commission arrangement.

### Financial Planning Fees

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Legacy provides basic financial planning services for clients who request such services. These financial planning services are included in the investment management fee.

### Investment Management Fee

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Legacy provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by Legacy. Legacy's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Legacy does not, however, receive any portion of these commissions, fees, and costs. Legacy's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Legacy on the last day of the previous quarter. The annual fee varies between 0.50% and 2.00% depending upon a number of factors to be determined by the Firm, including market value of the assets under management, complexity of the account, related accounts, etc.

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), Legacy generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") for investment management accounts.

Legacy may only implement its investment management recommendations after the client has arranged for and furnished Legacy with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab*, any other broker-dealer recommended by Legacy, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), which shall be included in the client's advisory fee, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Additionally, for assets outside of any wrap fee

programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Legacy's fee.

Legacy's *Agreement* and the separate agreement with any *Financial Institutions* may authorize Legacy or *Independent Managers* to debit the client's account for the amount of Legacy's fee and to directly remit that management fee to Legacy or the *Independent Managers*. Any *Financial Institutions* recommended by Legacy have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Legacy.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Legacy and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Legacy's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Legacy's right to terminate an account. Additions may be in cash or securities provided that Legacy reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Legacy, subject to the usual and customary securities settlement procedures. However, Legacy designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Legacy may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets in excess of \$500,000 are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will be adjusted or prorated based on the number of days remaining in the quarter.

### **Commissions or Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with Legacy (but not Legacy) to render securities brokerage services under a commission arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Legacy. Under this arrangement, clients may implement securities transactions through certain of Legacy's *Supervised Persons* in their respective individual capacities as registered representatives of Purshe Kaplan Sterling ("PKS"), an SEC registered broker-dealer and member of FINRA. PKS may charge brokerage commissions to effect these securities transactions and thereafter, a portion of these commissions may be paid by PKS to such *Supervised Persons*. Prior to effecting any transactions clients are required to enter into a new account agreement with PKS. The brokerage commissions charged by PKS may be higher or lower than those charged by



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other broker-dealers. In addition, certain of Legacy's *Supervised Persons* may also receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. Legacy recommends no-load funds (only necessary if the Firm primarily recommends mutual funds). Legacy does not charge an advisory fee on the same assets for which its *Supervised Persons* receive commissions.

A conflict of interest exists to the extent that Legacy recommends the purchase of securities where Legacy's *Supervised Persons* receive commissions or other additional compensation as a result of Legacy's recommendations. Legacy has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients.

## Item 6. Performance-Based Fees and Side-by-Side Management

Legacy does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

Legacy provides its services to individuals, pension and profit sharing plans, banking, thrift institutions, trusts, estates, charitable organizations, corporations and business entities.

### Minimums Imposed By Independent Managers

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Legacy generally does not require a minimum portfolio size nor does it impose a minimum annual fee. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than Legacy. In such instances, Legacy may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Methods of Analysis

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Legacy primarily employs fundamental and technical methods of investment analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. Legacy will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Legacy will be able to accurately predict such a reoccurrence.

### Investment Strategies

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The Firm consults with clients initially and on an ongoing basis to develop an investment plan that is customized to each client's goals and objectives. Legacy's investment strategy includes utilizing the Independent Managers (as defined below) in connection with mutual funds, hedge funds and individual

stocks and bonds. The investment plan will be revisited at a minimum of once per year and adjusted according to the client's particular needs and circumstances.

## Risks of Loss

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### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

## *Market Risks*

The profitability of a significant portion of Legacy's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Legacy will be able to predict those price movements accurately.

## *Use of Independent Managers*

Legacy may recommend the use of *Independent Managers* for certain clients. Legacy will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, Legacy does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

## *Use of Private Collective Investment Vehicles*

Legacy may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

## *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

Legacy is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Legacy does not have any required disclosures to this Item.

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

Legacy is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Legacy does not have any required disclosures to this Item.

## Fees from Independent Managers

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As discussed above, Legacy recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Managers*. In certain circumstances Legacy's compensation is included in the advisory fee charged by such *Independent Managers*. There may be a conflict of interest to choose such *Independent Managers*.

## Registered Representatives of Broker Dealer

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As discussed above in Item 5, certain of Legacy's *Supervised Persons* are registered representatives of *PKS*.

## Item 11. Code of Ethics

Legacy and persons associated with Legacy ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with Legacy's policies and procedures.

Legacy has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Legacy or any of its associated persons. The *Code of Ethics* also requires that certain of Legacy's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Legacy's *Code of Ethics*, none of Legacy's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Legacy's clients.

When Legacy is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Legacy is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Legacy to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Legacy generally recommends that clients utilize the brokerage and clearing services of *Schwab*.

Factors which Legacy considers in recommending *Schwab* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* enables Legacy to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. In addition, *Schwab* has agreed to compensate clients for any transfer fees that may be assessed for moving their account(s) to *Schwab*. The commissions and/or transaction fees charged by *Schwab* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Legacy's clients comply with Legacy's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Legacy determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Legacy seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom Legacy and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. Legacy periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Legacy in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Legacy will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Legacy (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Legacy may decline a client's request to direct brokerage if, in Legacy's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless Legacy decides to purchase or sell the same securities for several clients at approximately the same time. Legacy may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Legacy's clients differences in prices and commissions

or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Legacy's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Legacy determines to aggregate client orders for the purchase or sale of securities, including securities in which Legacy's *Supervised Persons* may invest, Legacy generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Legacy does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Legacy determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Legacy may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain *Supervised Persons* in their respective individual capacities are registered representatives of *PKS*. These *Supervised Persons* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *PKS* provides written consent. Therefore, clients are advised that certain *Supervised Persons* may be restricted to conducting securities transactions through *PKS* unless they first secure written consent from *PKS* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *PKS*, these *Supervised Persons* are prohibited from executing securities transactions through any broker-dealer other than *PKS* under *PKS*'s internal supervisory policies. Legacy is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Software and Support Provided by Financial Institutions**

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Legacy may receive from *Schwab*, without cost to Legacy, computer software and related systems support, which allow Legacy to better monitor client accounts maintained at *Schwab*. Legacy may

receive the software and related support without cost because Legacy renders investment management services to clients that maintain assets at *Schwab*. The software and related systems support may benefit Legacy, but not its clients directly. In fulfilling its duties to its clients, Legacy endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Legacy's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Legacy's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

### **Item 13. Review of Accounts**

For those clients to whom Legacy provides investment management services, Legacy monitors those portfolios as part of an ongoing process while regular account reviews are conducted frequently. An assessment of money managers, mutual funds and underlying investments are reviewed weekly. Asset allocation and account rebalances will be done no less than annually. For those clients to whom Legacy provides financial planning, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of Legacy's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Legacy and to keep Legacy informed of any changes thereto. Legacy contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Legacy provides investment advisory services will also receive a report from Legacy that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis as clients may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from Legacy.

Those clients to whom Legacy provides financial planning services will receive reports from Legacy summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by Legacy.

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

Legacy is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Legacy is required to disclose any direct or indirect compensation that it provides for client referrals. Legacy does not have any required disclosures to this Item.



## Item 15. Custody

Legacy's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Legacy through such *Financial Institution* to debit the client's account for the amount of Legacy's fee and to directly remit that management fee to Legacy in accordance with applicable custody rules.

The *Financial Institutions* recommended by Legacy have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Legacy. In addition, as discussed in Item 13, Legacy also provides clients with periodic supplemental reports as requested from time to time on a case by case basis. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Legacy.

## Item 16. Investment Discretion

Legacy may be given the authority to exercise discretion on behalf of clients. Legacy is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Legacy is given this authority through a power-of-attorney included in the agreement between Legacy and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Legacy takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

## Item 17. Voting Client Securities

Legacy may vote client securities (proxies) on behalf of its clients, but generally will only do so upon written agreement. When Legacy accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully described in Legacy's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Legacy's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Legacy to request information about how Legacy voted proxies for that client's securities or to get a copy of Legacy's Proxy Voting Policies and Procedures. A brief summary of Legacy's Proxy Voting Policies and Procedures is as follows:

- Legacy has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.

## Legacy Private Client Group Disclosure Brochure

- The Proxy Voting Committee will generally vote proxies according to Legacy's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Legacy devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Legacy's vote on a particular solicitation but can revoke Legacy's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Legacy maintains with persons having an interest in the outcome of certain votes, Legacy takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

Legacy is required to disclose whether it requires or solicits the prepayment of fees exceeding \$1,200 six months or more in advance of providing advisory services. In addition, the Firm is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Legacy has no disclosures pursuant to this Item.

## **Legacy Private Client Group**

*a Registered Investment Adviser*

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