



Item 1 – Cover Page

LBMC Investment Advisors, LLC

Registered Investment Advisor

5250 Virginia Way

Brentwood, Tennessee 37027

(615) 377-4603

www.lbmc.com

March 6, 2015

This Brochure provides information about the qualifications and business practices of **LBMC INVESTMENT ADVISORS, LLC [LBMC]**. If you have any questions about the contents of this Brochure, please contact us at (615) 377-4603 and/or LBMCInvestmentAdvisors@lbmc.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.

LBMC INVESTMENT ADVISORS, LLC 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 **LBMC INVESTMENT ADVISORS, LLC** also is available on the SEC's website at www.adviserinfo.sec.gov.



Item 2 – Material Changes

This Brochure is dated March 6, 2015.

This Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. Since the date of our last annual update of our brochure, February 11, 2014 there have been no material changes.

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 our business' fiscal year which is December 31. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information without charge.

Currently, our Brochure may be requested by contacting [Andrew Jordan, Chief Compliance Officer](#) at [\(615\) 377-4603](tel:6153774603) or LBMCIInvestmentAdvisors@lbmc.com. Our Brochure is also available on our web site www.lbmc.com, also free of charge.

Additional information about [LBMC INVESTMENT ADVISORS, LLC](#) is available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site provides information about any persons affiliated with [LBMC](#) who are registered as investment adviser representatives of [LBMC](#).



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Item 4 – Advisory Business

LBMC Investment Advisors, LLC (LBMC) was established in 1998 by the principals of the regional accounting firm Lattimore, Black, Morgan & Cain, P.C. to provide investment advisory services. The principal owner of LBMC is LBMC Financial Services, LLC.

Portfolio Management

LBMC provides continuous investment supervisory services based on the individual needs of the client. Through personal discussions with the client about their goals and objectives, LBMC develops an investment strategy based on the client's particular circumstances and manages the client's portfolio based on that strategy.

Typically, LBMC allocates the client's assets among a portfolio of index funds, mutual funds, bonds, or other appropriate investments.

Investments are selected primarily on a basis of their performance history and investment discipline. Adjustments are made when necessary as determined by LBMC based on current market conditions, client instructions, and/or changes in the client's investment objectives.

LBMC manages accounts on a discretionary basis, which means that clients grant LBMC the authority to determine which securities and the amount of those securities to be bought or sold. This authority is specifically granted to LBMC by the client in the Advisory Agreement. Any limitations on this discretionary authority, including limitations on the types of investments which may be purchased on the client's behalf, must be stated in the Advisory Agreement or must be accepted by LBMC in writing. Clients may also change or amend these limitations by giving written notice to LBMC. Changes become effective after they are accepted by LBMC.

Separately Managed Accounts

Currently, LBMC does not offer these wrap fee program to clients who are not already utilizing them.

LBMC has recommended the services of other independent advisers in the past. LBMC monitors accounts managed by other advisors including Charles Schwab Managed Access (who replaced Lockwood Advisors, Inc. as of January 1, 2015) and Capital Directions Investment Advisors, LLC. In such cases, LBMC collects certain financial information regarding clients and makes that information available to these other advisors. Clients are referred to the ADV Part 2 disclosure document for Charles Schwab Managed Access and Capital Directions Investment Advisors, LLC where their investment program and fees are discussed.

LBMC Investment Advisors, LLC receives a portion of the fees paid to the Capital Directions Investment Advisors, LLC in this wrap fee program. LBMC collects its fees from those client accounts that use the Charles Schwab Managed Access wrap fee program.



Assets Under Management

As of December 31, 2014 LBMC managed client assets of approximately \$910,000,000 on a discretionary basis and \$19,000,000 of assets on a non-discretionary basis.

Item 5 – Fees and Compensation

Portfolio Management

Annual fees charged for portfolio management services generally range from 0.5% to 1.00% of assets under management. Fees are negotiable under certain circumstances, including, but not limited to, accounts opened for employees (including affiliated company employees) or family members. If a client opens multiple accounts, the advisory fees are calculated based on the aggregated total of assets in the various accounts under management. Fees are calculated based on the market value, typically obtained from qualified custodians or other creditable sources, of the assets held in the client's account at the end of each calendar quarter. Management fees are prorated for each significant capital contribution and withdrawal made during the applicable calendar quarter. LBMC's standard fee schedule for portfolio management services is as follows:

For assets under management:

Amount Invested	Annualized Rate	Quarterly rate
Up to \$1 Million	1.00%	0.25%
\$1 Million to \$3 Million	0.75%	0.1875%
\$3 Million to \$5 Million	0.65%	0.1625%
\$5 Million to \$10 Million	0.60%	0.15%
Over \$10 Million	0.50%	0.125%

There is a minimum quarterly fee of \$500. LBMC has the option to waive any portion of the minimum quarterly fee.

Clients typically grant LBMC the authority to deduct fees directly from the client's account. Fees are due quarterly in arrears based on the value of the account on the last day of the quarter. LBMC deducts fees from the client's account approximately one week after the invoice date. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Fees for terminated accounts are calculated in a similar way to quarterly billing but are prorated to the date of termination.

Separately Managed Accounts

Separately managed accounts monitored by LBMC will be subject to the fees imposed by the applicable investment adviser that manages the account. Clients are directed to each such advisor's Form ADV Part 2 or disclosure brochure for a discussion of the applicable fees. LBMC receives a portion of the advisory fees paid to the Capital Directions Investment Advisors, LLC. LBMC collects its fees from those client accounts that use the Charles Schwab Managed Access wrap fee program.



General Information On Fees

All fees paid to LBMC for investment advisory services are separate and distinct from, and in addition to, fees and expenses charged by mutual funds, independent advisers of separate accounts, or other investment products that are used in client accounts. These fees and expenses are described in each fund's prospectus or other disclosure documents. LBMC'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, 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, trade away fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees which are disclosed in the fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to LBMC's fee, and LBMC shall not receive any portion of these commissions, fees, and costs. LBMC and its supervised persons do not receive compensation for the sale of securities or other products.

A client could invest directly in the types of securities listed in the Portfolio Management section above without the services of LBMC. In that case, the client would not receive the services provided by LBMC which are designed, among other things, to assist the client in determining which investment securities are appropriate for each client's financial condition and objectives. Accordingly, the client should review the fees charged by the funds, other service providers and LBMC. The client should fully understand the total amount of fees to be paid and evaluate the advisory services being provided.

Clients are expected to enter into a written Advisory Agreement with LBMC prior to the provision of services by the firm. LBMC does not represent, warrant or imply that the services or methods of analysis used can or will predict future results, successfully identify market trends, identify high performing independent money managers, or insulate clients from losses due to market declines. The agreement may be cancelled at any time, for any reason, by the client upon written notice or by LBMC upon 60 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. LBMC's fees are not charged on the basis of a share of capital appreciation of the funds or any portion thereof.

LBMC may recommend alternative investment vehicles, such as hedge funds, to qualifying clients based upon the client's risk tolerance, net worth, financial objectives, investment expertise, and how the investment fits within the client's asset allocation strategy. With respect to such investments, LBMC will monitor the investment's performance and provide periodic reports to the client.

LBMC Investment Advisors, LLC has contracted with Capital Directions Investment Advisors, LLC for services (for certain client accounts) including portfolio management, trade processing, collection of management fees, record maintenance, report preparation, marketing assistance, and research. For its services Capital Directions charges a fee based on a percentage of clients' assets under management. Their fee schedule is as follows:



Account Value	Annual fee
\$150,000 -- \$3,000,000	50 basis points
\$3,000,001 -- \$10,000,000	40 basis points
\$10,000,001 and up	30 basis points

Item 12 further describes the factors that LBMC considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

LBMC 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).

Item 7 – Types of Clients

LBMC provides portfolio management services to individuals, high net worth individuals, corporate entities, and foundations.

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

Methods of Analysis

LBMC may use Morningstar Principia Pro, investment risk questionnaires, asset allocation models, and Monte Carlo Simulations to conduct an “Investment Check-Up” as part of its process to identify an appropriate investment strategy for clients and to provide the following services:

CURRENT PORTFOLIO ANALYSIS: Assist the client in understanding how their current investment portfolio is allocated and how investments have performed. Additionally, it is used to determine areas that may be over- or under-weighted in the current allocation and to approximate the costs of the investments.

OBJECTIVE SETTING: Assist the client in defining appropriate investment objectives and desired investment returns based upon the client’s financial situation and tolerance for risk.



ASSET ALLOCATION: Assist the client in allocating their assets among different investment types -- to implement this approach, LBMC may use mutual funds, exchange traded indexes, money managers, individual securities, hedge funds and / or other investment vehicles that are deemed appropriate -- in a manner most likely to achieve the client's objective.

LBMC Investment Advisors investment strategy is based on the science of investing built upon decades of academic research and institutional application. Our portfolios are designed to accomplish one single task – to capture the market's return while minimizing risk through prudent diversification. Our philosophy is firmly grounded in Modern Portfolio Theory (MPT).

MPT guides us in the construction of our portfolios. One of the most important and influential economic theories ever postulated (it won the Nobel Prize in 1992), MPT provides the framework for creating optimal portfolios by closely considering the relationship between risk and reward. MPT proves that by mixing assets of varying correlation in a portfolio, the portfolio's risk can actually be lower than the sum of its individual parts.

Market timing -- the attempt to determine the best time to buy or sell an investment -- and security selection add very little, if any, return to a portfolio. We do not follow the latest investment fads, chase performance or engage in emotion-based trading in our clients' portfolios. All of these activities will reduce the probability of delivering the risk-adjusted returns that are there for investors who stay the course.

We focus our actions on factors that have a high probability of creating a successful investment strategy:

1. Diversification- using different Asset Classes (i.e. Equity and Fixed Income) and different classifications within them. Equity classes would include large capitalization companies, small capitalization companies, international companies, emerging markets, real estate, and others. Fixed income could be composed of long-term, short-term, taxable and tax-free classes.
- 2.) Minimizing fees and transaction costs when possible
- 3.) Maximizing our clients' after-tax returns when possible.

Finally, we closely monitor the portfolio to ensure the structural integrity of the investments is never compromised.

By embracing proven academic theories and building an investment strategy focused on factors that can be controlled, we can create portfolios that have a much greater likelihood of success for our clients than the typical trading-intensive, performance chasing approach.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear.

All investments present the risk of loss of principal- which means that the investments may be worth less when sold than the price paid for the securities. There is also the risk of losing purchasing power which means the rate of appreciation of the investment was less than the rate of inflation.



The investments used by LBMC may include domestic large and small companies, international and emerging market equities, real estate investment trusts, government and corporate bonds, bank certificates of deposit, commodities, hedge funds, and any other investments we reasonably believe will enable the client to reach their investment objectives.

Each of these investments has unique risk characteristics which must be considered before investing. These risks include loss of value, loss of purchasing power, and the ability to convert the investment quickly to cash.

More information about the risks of any specific investment should be discussed with your LBMC advisor before investing.

Item 9 – Disciplinary Information

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

Item 10 – Other Financial Industry Activities and Affiliations

LBMC is affiliated with Lattimore, Black, Morgan & Cain, PC (Lattimore), an accounting firm.

R. Michael Cain, Treasurer and Director of LBMC is also a Certified Public Accountant and partner of Lattimore. David K. Morgan, Secretary and Director of LBMC is also a Certified Public Accountant and partner of Lattimore. David Smith is an advisory representative of LBMC for clients serviced by Capital Directions Investment Advisors, LLC and is a Certified Public Accountant and partner of Lattimore. Each of these individuals spends the majority of their time on activities other than investment advisory services.

In their capacity as associated persons of Lattimore, these individuals may recommend LBMC to clients of Lattimore in need of investment advisory services. LBMC has an agreement with Lattimore to pay solicitors fees equal to 20% of the advisory fees collected by LBMC from clients introduced by Lattimore associated persons.

LBMC may also recommend Lattimore to advisory clients for accounting services. Accounting services provided by Lattimore are separate and distinct from LBMC advisory services. Lattimore will charge for those services separately under an agreement with the client. LBMC does not receive any compensation for referrals to Lattimore. Clients do not have to use Lattimore for any services.



Item 11 – Code of Ethics

LBMC has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes:

- provisions relating to the confidentiality of client information
- a prohibition on insider trading
- restrictions on the acceptance of significant gifts
- the reporting of certain gifts and business entertainment items
- personal securities trading procedures, among other things.

All supervised persons at LBMC must acknowledge the terms of the Code of Ethics annually, or when amended.

LBMC's employees and persons associated with LBMC are required to follow LBMC's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of LBMC and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for LBMC's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of LBMC will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of LBMC's clients. In addition, the Code requires pre-clearance of certain transactions and restricts trading in close time proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code of Ethics to reasonably prevent conflicts of interest between LBMC and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with LBMC's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at the total average price. LBMC will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.



LBMC's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Andrew Jordan at ajordan@lbmc.com or (615) 377-4603.

It is LBMC's policy that the firm will not make any principal or agency cross securities transactions for 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 principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account.

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. LBMC is not dually registered as a broker-dealer and does not have an affiliated broker-dealer.

Item 12 – Brokerage Practices

The Custodian and Brokers We Use

LBMC does not maintain custody of your assets although we may be deemed to have custody of your assets if you give us authority to withdraw fees from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use either Charles Schwab & Co., Inc. (Schwab), or Fidelity Institutional Wealth Services (Fidelity) as the qualified custodian. Both are registered broker-dealers and members of SIPC. LBMC is independently owned and operated and is not affiliated with Schwab or Fidelity. Schwab or Fidelity will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab or Fidelity as your custodian/broker, you will decide whether to do so and will open your account by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "*Your Brokerage and Custody Costs*"). A client who directs LBMC to use a broker other than Schwab or Fidelity should be aware that they may not receive any of the advantages that LBMC derives from its arrangements with Schwab or Fidelity.

How We Select Brokers/Custodians

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, more advantageous when compared to other available providers. We consider a wide range of factors, including, among others:



- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see *"Products and Services Available to Us"*)

Your Brokerage and Custody Costs

For our clients' accounts that Schwab or Fidelity maintain, they generally do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that they execute or settle into your account.

In addition to commissions and asset-based fees, Schwab and Fidelity charge you a flat dollar amount as a "trade away" fee for each trade that we have executed by a different broker-dealer and is deposited (settled) into either your Schwab or Fidelity account. This occurs most often when buying bonds for a client account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. We have determined that having Schwab or Fidelity execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *"How We Select Brokers/Custodians"*).

Products and Services Available to Us

Schwab and Fidelity are in business to serve independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to their retail customers. They also make available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. These support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us.

Services That Benefit You



Schwab and Fidelity institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through them include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You

Schwab and Fidelity also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research from them and that of third parties. We may use this research to service all or a substantial number of our clients' accounts. In addition to investment research, Schwab and Fidelity also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us

Schwab and Fidelity also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab and Fidelity may provide some of these services themselves. In other cases, they may arrange for third-party vendors to provide the services to us. They may also discount or waive their fees for some of these services or pay all or a part of a third party's fees. Schwab and Fidelity may provide us with other benefits, such as occasional business entertainment of our personnel.

When appropriate, LBMC makes use of the benefits described in the previous three sections.

Our Interest in Schwab and Fidelity Services

The availability of these services from Schwab and Fidelity benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in



receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our recommendation of Schwab or Fidelity as custodian and broker is in the best interests of our clients. Our recommendation is primarily supported by the scope, quality, and price of their services (see "*How We Select Brokers/Custodians*") and not the benefit to us.

LBMC will use trade aggregation when multiple orders for a security are made and implementation is consistent with our obligation for best execution.

LBMC does not participate in soft-dollar relationships with any broker-dealer.

Item 13 – Review of Accounts

Investment accounts are reviewed at least annually by a committee composed of the President and other associated persons of LBMC that provide investment advisory, portfolio management or client services. Each clients' accounts are reviewed in aggregate for appropriate allocation to desired investment categories and compared to the investment strategy statement for adjustment. As part of this process, the investment strategy statement is reviewed to determine its continued appropriateness. More frequent reviews may be triggered by material economic or market events, or by a change in the client's financial circumstances. The number of accounts (client relationships) reviewed by the committee is approximately 240. Typically 15 to 25 client relationship account groups are reviewed during each monthly scheduled meeting.

LBMC provides performance reports to portfolio management clients at least quarterly. These are in addition to the custodial/brokerage statements and transaction confirmations received by the clients directly from the account custodians.

Item 14 – Client Referrals and Other Compensation

We receive an economic benefit from Schwab and Fidelity in the form of support products and services they make available to us. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability of Schwab's and Fidelity's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

LBMC compensates outside solicitors and/or associated persons, including, Lattimore, Black, Morgan & Cain, P.C. ("Lattimore"), an accounting firm affiliated with LBMC, for referring advisory clients to LBMC. Each client referred to LBMC by a third party (other than Lattimore) will receive a written solicitor's disclosure statement that details the terms of the compensation sharing arrangement. Clients obtained through solicitors or associated persons do not pay higher fees either initially or, on an annual basis, than those charged to clients obtained directly by LBMC.



Beginning in May 2012, LBMC receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through LBMC's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with LBMC. Schwab does not supervise LBMC and has no responsibility for LBMC's management of clients' portfolios or LBMC's other advice or services. LBMC pays Schwab fees to receive client referrals through the Service. LBMC's participation in the Service may raise potential conflicts of interest described below.

LBMC pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by LBMC is a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. LBMC pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to LBMC quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by LBMC and not by the client. LBMC has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs LBMC charges clients with similar portfolios who were not referred through the Service.

LBMC generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, LBMC will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of LBMC's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, LBMC will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit LBMC's fees directly from the accounts.

For accounts of LBMC's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from LBMC's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, LBMC may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. LBMC nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for LBMC's other clients. Thus, trades for accounts maintained at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.



Item 15 – Custody

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct the account custodian (Schwab or Fidelity) to deduct our advisory fees directly from your account or if you grant us authority to move your money or investments to another person's account. The custodian maintains actual custody of your assets. You will receive account statements directly from Schwab or Fidelity at least quarterly. They will be sent to the email or postal mailing address you provided to them. You should carefully review those statements promptly when you receive them. LBMC urges you to compare those account statements to the periodic portfolio reports you will receive from us. Our statements may vary slightly from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

If you grant an LBMC employee or any individual considered by the Securities and Exchange Commission to be a supervised person of LBMC access to your investment accounts or other financial accounts (i.e. bank accounts not managed by LBMC), LBMC is considered to have custody of your account with the ability to transfer your assets without your express knowledge. This typically only applies to a limited number of trust or estate accounts where an individual associated with LBMC is acting as trustee/executor or with clients who engage the affiliated accounting firm Lattimore, Black, Morgan & Cain, P.C. for Family Office services. All accounts that are considered to be in custody, other than because LBMC can deduct fees directly from the account, are subject to an annual surprise examination by an independent Certified Public Accounting firm who submits their report findings directly to the Securities and Exchange Commission (SEC).

Item 16 – Investment Discretion

LBMC usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, LBMC observes the investment strategy statement, limitations, and restrictions of the clients.

Limitations and restrictions must be provided to LBMC in writing.



Item 17 – Voting Client Securities

LBMC does not vote proxies of securities held in clients' accounts. Any proxy solicitations received by LBMC will be forwarded to the client so that they may vote them according to their own best interest.

Item 18 – Financial Information

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