

**THE LEBENTHAL WEALTH ADVISORS WRAP FEE PROGRAM**



*A Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Lebenthal Wealth Advisors, LLC (hereinafter “LWA” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm’s Chief Compliance Officer Myles Blechner at (212) 370-0148 or [mblechner@lebenthal.com](mailto:mblechner@lebenthal.com) or at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This following summarizes the material changes to the Brochure since the last version of this Brochure dated March 31, 2015.

- The Firm recently changed its Chief Executive Officer. The Firm's new Chief Executive Officer is Alexandra Lebenthal.

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## **Item 4. Services, Fees and Compensation**

### **Lebenthal's Corporate History**

The company Lebenthal was founded in 1925 by husband and wife Louis and Sayra Lebenthal. It operated as a broker-dealer and financial advisory firm from 1925 until 2002 when it was sold to Advest and then to Merrill Lynch. Merrill Lynch retired the Lebenthal name after the acquisition. In 2007, James A. Lebenthal and Alexandra Lebenthal bought back the name and created Lebenthal Holdings, LLC (a holding company) and Lebenthal & Co., LLC (a FINRA registered broker-dealer). In 2008, they launched Lebenthal Asset Management, LLC ("LAM"), an SEC registered investment advisor, as well as an affiliated business providing family-office services such as tax administration, estate administration, bill-paying services, etc., called Lebenthal Family Office, LLC.

In late 2013, Lebenthal launched a full service retail wealth-management platform, Lebenthal Wealth Advisors, LLC, ("LWA"), which is also an SEC registered investment advisor. Lebenthal Wealth Advisors, LLC ("LWA" or the "Firm"), whose business is the subject of this Brochure, is a Delaware limited liability company that was formed in October 2013 and began operating its investment advisory business in March 2014.

This Brochure describes the Lebenthal Wealth Advisors, LLC Wrap Fee Program.

### **Lebenthal Wealth Advisors Wrap Fee Program**

The Lebenthal Wealth Advisors Wrap Fee Program (the "Program") is an investment advisory program sponsored by LWA, a registered investment adviser principally owned by Lebenthal Holdings, LLC.

LWA has been in business since March 2014, and offers a variety of advisory services, which may include financial planning, consulting, investment management and wealth management services. While this brochure generally describes the business of LWA as it relates to the Program, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees, or any other persons who provide investment advice on LWA's behalf and are subject to the Firm's supervision or control.

### **Description of the Wrap Program**

The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring a brokerage commission or charge per transaction. Prior to receiving services through the Program, clients are required to enter into a written agreement with LWA setting forth the relevant terms and conditions of the advisory relationship (the "Program Agreement"). Clients must also open a new securities brokerage account and complete a new account agreement with a custodian or broker-dealer LWA approves under the Program (collectively "Financial Institutions"). Clients may also be required to enter into additional agreements based on the particular advisory program ("Advisory Program")(as described below) selected.

At the onset of the relationship, clients generally complete an investment questionnaire or other form of investor profile describing their individual investment objectives, liquidity and cash flow needs, time horizon and risk tolerance, as well as any other factors pertinent to their specific financial situations. After

an analysis of the relevant information, LWA assists its clients in developing an appropriate strategy for managing their assets and selecting an appropriate Advisory Program. The Advisory Programs are offered on both a discretionary and non-discretionary basis.

Further, as LWA absorbs certain transaction costs in wrap fee accounts, LWA may have a financial incentive not to place transaction orders in those accounts since doing so increases its transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement.

## **Advisory Programs**

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### **Third Party Provider Programs:**

LWA has entered into agreements with certain unaffiliated SEC registered investment advisers and Third Party Asset Management Providers or Platforms (“Third Party Providers”) to offer programs as co-advisers or Platform Vendors to Lebenthal for its clients. In these programs, the Third Party Providers provide advice related to program design and support, including the structure and design of asset allocation portfolios and underlying investment research on Separately Managed Accounts (“SMAs”), which are portfolios of individually owned securities managed by an asset manager and that are often referred to as “sub-managers.” Sub-managers are typically selected by Third Party Providers from a universe of managers who specialize in a particular investment style. Some Third Party Providers have a platform of managers which they make available to Lebenthal, as well as making available the technology to access those managers. Lebenthal typically relies upon the due diligence performed by the Third Party Providers in selecting these sub-managers, subject to its review of the adequacy of the due diligence process and procedures of such Third Party Providers. In certain instances, LWA may perform its own or additional due diligence on such sub-managers. In other instances, the client may select its own sub-manager or sub-advisor by way of dual contract or otherwise through LWA, in which LWA will not perform any due diligence on those sub-managers or sub-advisors selected by the client on its own initiative.

In these programs, some Third Party Providers may also provide ongoing investment management services on a discretionary basis that may include the ability to, among other things, adjust asset allocations, change securities in an account, and rebalance the account. Third Party Providers may also provide to LWA a selection of investment models. Third Party Providers may also provide LWA with portfolio maintenance tools and portfolio trade order processing services to be used in connection with providing investment management services to Program clients (the “UMA Services”). LWA will create customized UMA portfolios for Program clients by selecting the appropriate asset allocation and investment strategies/vehicles for each portfolio. The template asset allocations are intended for different investor profiles with different investment objectives, risk tolerance and time horizons.

Alternatively, Lebenthal may access the platform of managers to offer managers which clients can select under a separate contract directly with that manager (Dual Contract).

### **Mutual Fund and ETF Wrap:**

LWA provides clients with mutual funds and Exchange Traded Funds (“ETFs”) which can be put in a wrap program. These fund products may be provided by a Third Party Program Provider, Lebenthal & Co. (which is Lebenthal’s affiliated broker-dealer) or by another entity. These fund products can be acquired by Program Clients as part of the Program (mutual fund or ETF products held in the account of a Program

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Client are herein referred to as “Mutual Fund or ETF Program Assets”). Under the Mutual Fund Wrap and ETF Wrap programs, Lebenthal will have full discretion to invest client assets in accordance with client investment objectives. **Mutual funds and ETFs contain embedded expenses such as fund management fees and expense ratios that are not included in the mutual fund wrap fee. Clients are referred to the prospectus of the funds for specific information as to these embedded expenses.**

## **Advisor-Directed Model:**

Under this program, LWA has the ability to create customized investment model portfolios for clients. In this situation, LWA or an LWA Investment Advisor Representative (“IAR”), and not a Third Party Provider is responsible for the selection of the specific investment choices made on behalf of the client. In these programs, LWA and the IAR are given the authority to exercise discretion on behalf of clients. In such cases, LWA and the IAR may take 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.

LWA is given this authority through a grant of discretion included in the investment agreement between the Firm and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold).

## **Non-Discretionary Program:**

Under this Program, LWA will provide non-discretionary investment management services to clients. A Third Party Provider may provide LWA with a predetermined investment strategy, or assist LWA with selecting an investment strategy consistent with the client’s investment objectives. LWA may assist with the review and evaluation of a client’s investment objectives, and then work with a Third Party Provider to generate an investment proposal containing asset allocation and investment recommendations consistent with the client’s investment objectives. In this case, the client may work in collaboration with its IAR, although the choice as to implementation is up to the client.

## *Affiliated Managers*

When consistent with Client’s investment objectives or at Client’s direction, LWA or an investment firm affiliated with LWA (such as Lebenthal Asset Management or a Lebenthal IAR) may be selected as the manager for Client’s account to actively manage a portion of its clients’ assets. The specific terms and conditions under which a client engages an Affiliated Manager may be set forth in a separate written agreement with the designated Affiliated Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Affiliated Manager engaged to manage their assets.

On an ongoing basis, LWA monitors the performance of those accounts being managed by an Affiliated Manager, and seeks to ensure their strategies and target allocations remain aligned with its clients’ investment objectives and overall best interests.

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Clients are informed that when an Affiliated Manager is selected, that both LWA and the Lebenthal Affiliated entity will be paid for providing services to the client and as such a conflict of interest exists to the extent Lebenthal Asset Management is selected versus an Independent Manager. To address this conflict, the Firm carefully reviews the suitability of the recommendation, the fees charged to the client to make sure they are reasonable and generally in-line with charges a similar style Independent Manager would charge, and that the decision to select Lebenthal Asset Management was not made on a discretionary basis by the LWA representative, as that is prohibited. With respect to certain Retirement Plan accounts in which Affiliated Managers are selected, the Firm may offset or rebates fees where applicable so that it complies with Department of Labor and IRS rules and regulations.

### **UMA:**

Under this program, LWA itself will manage a Unified Managed Account (“UMA”) offering Managers and styles selected by LWA research. There are two options of UMA available to the client. The first is an advisor-discretion version allows the IAR to adjust models and strategies to be fine tuned by the Advisor. Under this option, which is referred to as Lebenthal Advisor Solutions, the client grants discretion to LWA to (a) select sub-managers, mutual funds or ETF wrap products, or model portfolios for them, and (b) change sub-managers, mutual funds or ETF wrap products, or model portfolios for them. The second option is referred to as Lebenthal Guided Solutions. Under this option, the client and/or advisor (if discretion is granted to him or her) chooses from options provided by a Third Party Provider to invest in (a) mutual fund or ETF wrap model portfolio programs, (b) SMAs selected by the Third Party Provider, or (c) a model UMA portfolio created by the Third Party Provider.

### **Overlay Management:**

Pursuant to agreements with LWA, LWA has obtained Overlay Management capabilities from certain Third Party Providers in exchange for which a fee is charged. That fee is included within LWA’s Wrap Program and the client does not pay an additional cost for the use of an Overlay Manager.

The use of an Overlay Manager is employed to effectuate the execution of securities transactions from sub-managers and model providers. In particular, what this means is that when a sub-manager’s or model portfolio provider’s investment management services are provided, the sub-manager or model portfolio manager typically provides instructions to execute all orders (either on a security by security basis or on a larger scale basis by delivery of a complete model portfolio) to the Third Party Provider rather than to LWA. The Third Party Provider, on behalf of LWA, will then in turn take steps to ensure the execution of all such transactions. Notably, there may be delay in delivery of such instructions by the sub-managers or model portfolio providers to the Third Party Provider such that the sub-manager’s or model portfolio provider’s other advisory clients have already commenced trading before LWA clients accounts’ orders have commenced trading. As a result, accounts where an Overlay Manager is utilized may receive prices that are less favorable than the prices obtained for other accounts.

Alternatively, some sub-managers and/or model portfolio providers may execute directly with a custodian selected by the client versus using the Overlay Management services provided through the Third Party Provider as set forth above. This direct execution by the sub-manager and model portfolio provider is

most likely to occur in a dual contract relationship. There may be instances where such sub-manager's other clients have commenced trading before LWA's clients.

## **Fees for Participation in the Program**

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The program fee ("Program Fee") is negotiable, but clients generally pay a single annualized fee between 0.50% and 2.50% of the assets being managed through the Program. The asset-based annual fees of the sub-managers and model providers typically range from .20% to .75%. The Program Fee is prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous billing period. The Program Fee generally includes LWA's advisory fee, brokerage commissions and transaction costs, overlay management fees, and may also include the fees charged by the separate investment managers chosen under a particular Advisory Program.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the Program Fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the Program Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination, and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

In some limited instances the asset-based fee may be charged in arrears.

## **Fee Comparison**

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As referenced above, a portion of the fees paid to LWA is used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios. Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. The Program Fees may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

## **Fee Discretion**

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LWA, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and pro bono activities.

## **Direct Fee Debit**

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Clients generally provide LWA and Independent Managers with the authority to directly debit their accounts for payment of the Program Fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing account transactions, including any amounts paid to LWA. In rare circumstances and on an exception basis only, the Firm may permit a client to request to be billed for fees incurred rather than have them automatically debited from their accounts.



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## Account Additions and Withdrawals

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

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## Other Charges

Clients may incur certain charges imposed by third parties in addition to the Program Fee. These additional charges may include, but are not limited to, charges imposed directly by a mutual fund or exchange-traded fund ("ETF") in the account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, foreign custody fees, fees attributable to alternative assets, wire transfer and electronic fund fees, and other applicable fees and taxes on brokerage accounts and securities transactions.

With respect to mutual funds, ETF, or other investment companies (which may include alternative investments) clients should be aware that these investments may be more expensive than other investment options in their advisory account. In addition to our fee, a client pays the fees and expenses of the fund, ETF or investment company in which their account is invested, as mutual funds, ETF and investment company's fees and expenses are charged directly to the pool of assets the mutual fund, ETF and investment company invests in and are reflected in the share price. These fees and expenses are an additional cost to the client and are not included in the fee amount in your account statements. Clients do not pay any sales charge for purchases of mutual funds, ETF, or other investment companies however, some funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with their prospectus.

LWA's affiliated broker-dealer, Lebenthal & Co., LLC may receive expense payments and fees for other services from mutual funds or investment companies. To address this conflict of interest, the Firm does not compensate its investment advisor representatives on any of those expenses which might be paid to Lebenthal & Co., LLC by a mutual fund or investment company sold to an advisory client.

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## Compensation for Recommending the Program

LWA has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation. A person recommending the Program will not earn more compensation than he or she would otherwise receive if a client elected another investment management format.

## Item 5. Account Requirements and Types of Clients

### Minimum Account Size

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The following account minimums apply:

- Separately Managed Accounts = \$100,000
- Mutual Fund and ETF Wrap Accounts = \$100,000
- Unified Managed Accounts = \$250,000
- Advisor-Managed Portfolios = \$100,000
- Advisor Consulted Non-Discretionary = \$50,000

The Firm, in its sole discretion, may accept clients with smaller accounts based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, legacy client relationships, account retention and pro bono activities. LWA may also aggregate the portfolios of family members and/or households in order to meet the minimum account size. Further, LWA notes that some separate account managers/outside managers may have different minimums which may be greater than those stated and clients should check with their LWA financial advisor to determine what the specific minimums are for such separate account managers/outside managers.

### Types of Clients

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LWA generally offers services to high net worth individuals, pension, profit sharing and other employee benefit plans (including state and municipal plans), trusts, estates, charitable organizations and institutions such as foundations and endowments, corporations and business entities.

## Item 6. Portfolio Manager Selection and Evaluation

### Portfolio Management

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Client accounts are generally managed by Independent Managers or mutual fund or ETF model providers available through the Advisory Programs. When consistent with Client's investment objectives or at Client's direction, LWA or an investment firm affiliated with LWA (such as Lebenthal Asset Management) may be selected as the manager for Client's account. To the extent possible, the Firm (typically through its Investment Committee) evaluates a variety of information about Independent Managers (for the Independent Managers LWA recommends), which may include the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable, including information provided by a Turnkey Asset Management Program ("TAMP"). The Firm (typically through its Investment Committee) seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. LWA may also take into consideration an Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors. The Firm's Investment Committee does this with assistance from its strategic relationships with its TAMPs and Third Party Providers, and generally relies on the information

and reports provided by these firms to evaluate Independent Manager relationships. In certain of the programs, the TAMPS or Third Party Providers monitors and provides quarterly reports to LWA regarding Independent Managers. In some instances, the client may select its own sub-manager or sub-advisor by way of dual contract or otherwise through LWA, in which LWA will not perform any due diligence on those sub-managers or sub-advisors selected by the client on its own initiative.

LWA will consider the above factors as part of their determination to replace or recommend the replacement of a particular Independent Manager. Depending on the program selected, LWA may not always have the ability to change or replace a particular Independent Manager.

### **Affiliated Managers**

When consistent with Client's investment objectives or at Client's direction, LWA or an investment firm affiliated with LWA (such as Lebenthal Asset Management or a Lebenthal IAR) may be selected as the manager for Client's account to actively manage a portion of its clients' assets. Affiliated Managers are not currently selected using identical criteria to those utilized for the selection of Independent Managers. Rather, due to the Firm's relatively small size and the fact that LWA and Lebenthal Asset Management share space, LWA has regular access to Lebenthal Asset Management and its managers. As a result, on an ongoing basis, LWA monitors the performance of those accounts being managed by an Affiliated Manager, and seeks to ensure their strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

Clients are informed that when an Affiliated Manager is selected, that both LWA and the Lebenthal Affiliated entity will be paid for providing services to the client and as such a conflict of interest exists to the extent Lebenthal Asset Management is selected versus an Independent Manager. To address this conflict, the Firm carefully reviews the suitability of the recommendation, the fees charged to the client to make sure they are reasonable and generally in-line with charges a similar style Independent Manager would charge, and that the decision to select Lebenthal Asset Management was not made on a discretionary basis by the LWA representative, as that is prohibited. With respect to certain Retirement Plan accounts in which Affiliated Managers are selected, the Firm may offset or rebates fees where applicable so that it complies with Department of Labor and IRS rules and regulations

### **Advisor-Directed Model:**

Under this program, LWA has the ability to create customized investment model portfolios for clients. In this situation, LWA or an LWA Investment Advisor Representative ("IAR"), and not a Third Party Provider is responsible for the selection of the specific investment choices made on behalf of the client. In these programs, LWA and the IAR are given the authority to exercise discretion on behalf of clients. In such cases, LWA and the IAR may take 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.

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LWA is given this authority through a grant of discretion included in the investment agreement between the Firm and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold).

## **Side-By-Side Management**

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LWA does not provide any services for a performance-based fee (*i.e.*, a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Methods of Analysis and Investment Strategies**

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The methods of analysis and strategies listed below are utilized by investment adviser representatives of LWA.

### Client Profiling:

Under a wealth management engagement, LWA will first assess the client's investment objectives relevant to the management of their portfolios. When an investment strategy is developed and agreed upon by the client, LWA will undergo a screening process to identify specific suitable investment management vehicles. The Firm will generally then recommend an investment strategy utilizing independent investment managers ("Independent Managers"), Affiliated Managers, mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities or other vehicles (including alternative investments when appropriate) that seek to meet the client's investment objectives. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising LWA's recommendations and/or services.

### Asset Allocation:

In developing investment strategies, LWA considers factors such as economic conditions, earnings, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, interest rates and risk premiums.

### Investment Management:

In the evaluation of Independent Managers recommended by LWA, LWA uses both quantitative and qualitative research from publicly available information, third party asset management providers ("TAMPs"), independent investment management and research firms, third party providers, and also from internally generated proprietary evaluation methodologies. The method of analysis used depends on the strategy and philosophy of the client and style of the Independent Manager. In other instances, the client may select its own sub-manager or sub-advisor by way of dual contract or otherwise through LWA, in which LWA will not perform any due diligence on those sub-managers or sub-advisors selected by the client on its own initiative.

For Affiliated Managers, the Firm is in close contact with those managers and has access to their investment process, portfolio composition, management team and general performance history. The Firm regularly monitors that information for those Affiliated Managers.

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## Sources of Information:

LWA uses, among other things, the general news media and publications. In addition, the Firm uses both proprietary and purchased databases as well as material and investment research prepared by various investment managers and TAMPs and other service providers.

## Investment Strategies:

LWA generally recommends long-term investment strategies requiring a minimum of a three to five year time horizon. Overall, however, the strategies used often depend on the selected Independent Manager's or Affiliated Manager's investment style as well as the client's stated investment parameters.

## Risk of Loss

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***Investing in securities involves risk of loss that clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investments may fluctuate due to market conditions and other factors. The investment decisions made and the actions taken for our clients are subject to various market, liquidity, currency, economic and political risks, and will not necessarily be profitable. Past performance in your account is not indicative of future performance, which may vary.***

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of LWA's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that the Firm will be able to predict those price movements accurately or capitalize on any such assumptions.

### *Mutual Funds and 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 generally required 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 actual 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 potentially 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 20,000 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.

### *Equity Securities*

Stocks and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operational risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risk of loss. Equity securities fluctuate in value and such fluctuations can be pronounced. In general, stock values fluctuate in response to the activities of individual companies and in response to the general market and economic conditions. Accordingly, the value of the stocks and other securities and instruments may decline over short or extended periods of time. The stock markets tend to be cyclical, with periods when stock prices generally rise and periods when stock prices generally decline.

### *Fixed Income Securities*

Fixed Income securities are subject to market, interest rate and credit risk and are also subject to availability and market conditions. Interest rate risk describes the risks that the value of a security will go down because of a change in interest rates. For example, when interest rates overall increase, bond issuers must offer higher coupon rates on new bonds in order to attract investors. The consequence is that the price of existing bonds drop because investors prefer the new bonds paying the higher rate. On the other hand, there's also interest rate risk when rates fall because maturing bonds or bonds that are paid off before maturity must be reinvested at a lower yield.

Credit risk, also called default risk, is the possibility that a bond issuer will not pay interest as scheduled or repay the principal at maturity. The Firm does not guarantee in any way the obligations or financial condition or credit rating of any issuer or the accuracy of any financial information provided by any issuer in which an account may be invested.

### *Alternative Investments*

The Firm may recommend that clients allocate a portion of their assets to investment managers that follow alternative investment strategies, such as hedge fund investments. These strategies may be speculative, entail substantial risk and may not be suitable for all investors, nor do they represent a complete investment program. Many alternative investment managers and their related products are not subject to the same regulatory requirements as traditional investments.

Alternative investments may include specific risks associated with limited liquidity, the use of leverage, arbitrage, short sales, option, futures and derivative instruments. There can be no assurances that a manager's strategy (hedged or otherwise) will be successful or that a manager will employ such strategies



with respect to all or any portion of a portfolio. Clients should recognize that they may bear asset-based fees and expenses at the manager-level, and indirectly, fees, expenses and performance-based compensation. Performance-based compensation may create an incentive for the managers that share in that performance-based compensation to make investments that are riskier and more speculative than would be the case if this special allocation were not made. Because the individual managers make trading decisions independently of each other, it is possible that they may, on occasion, hold substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject to the client's investments to more volatility than would be the case if the client's assets were more widely diversified.

### *Money Market Funds*

An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other governmental agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, there is no assurance that will occur, and it is possible to lose money if the fund value per share falls. Moreover, in some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings are liquidated and distributed to the fund's shareholders. This liquidation process could take up to one month or more. During that time, these funds would not be available to you to support purchases, withdrawals, and, if applicable, check writing or ATM debits from your account.

### *International/Foreign Investment Risk – Developing Market Countries/Emerging Market Countries/Frontier Market Countries*

Investment strategies in developing market countries are subject to all of the risks of foreign investing generally, and may have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate and volatility; and inflation, deflation or currency devaluation.

Emerging market countries are subject to all the risks of developing market countries generally, and have additional risks due to a lack of established legal, political, business and social frameworks to support capital markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate and volatility; and inflation, deflation or currency devaluation.

Frontier market countries generally have smaller companies and less developed capital markets than traditional developing and emerging markets. The increased risks are the result of: potential for extreme price volatility and illiquidity in frontier markets; government ownership or control of parts of private sector and of certain companies; trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which frontier market countries trade; and the relatively new and unsettled securities laws in many frontier market countries.

## *REITs*

Certain programs may offer real estate-related investment disciplines, which typically invest in common stocks of U.S. Corporations. Almost all such investments will be treated for tax purposes as investments in real estate trusts (“REITs”). REITs are subject to general equity risks described above, as well as fluctuation in underlying property values, expenses and income and environmental liabilities. Although it is unlikely that such investments will cause a tax-exempt investor to recognize “unrelated business taxable income” (“UBTI”), no assurances can be made that no UBTI will be recognized. If any investment causes a tax-exempt investor to recognize UBTI, and that tax-exempt investor is a charitable remainder trust, all of the income of the charitable remainder trust would be subject to federal income tax for the year in which the UBTI was recognized. Therefore, charitable remainder

## *Use of Independent Managers and Affiliated Managers*

As stated above, LWA may select certain Independent Managers and Affiliated Managers to manage a portion of its clients’ assets. In these situations, the Firm continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on their ability to successfully implement their investment strategies. In addition, LWA generally does not have the ability to supervise the Managers on a day-to-day basis and does not have a role in the day-to-day management of the investments. Consequently, the performance of such investments is substantially dependent on the skill and acumen of key employees of the managers. If such employees cease to participate in the manager’s business, the manager’s ability to select attractive investments and manage its portfolio could be impaired.

Independent Managers and Affiliated Managers may use various investment vehicles and strategies which involve additional risks not set forth herein. These additional risks may be disclosed in the Disclosure Brochures of the various Independent Managers and Affiliated Managers.

## **Voting of Client Securities**

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Absent exceptional circumstances, LWA does not accept the authority to vote a client’s securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied, and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations. Clients who have assets managed by Independent Managers or Affiliated Managers may request that the Independent Managers or Affiliated Managers vote proxies on their behalf.

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

LWA will generally assist the Advisory Program provider with collecting information regarding the client’s investment objectives, including any stated restrictions on the management of the account. Depending on the Program selected, LWA will update this information with the provider, as necessary, based on any material changes in the client’s financial situation.



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

Depending on the type of Advisory Program selected, Independent and Affiliated Managers are typically reasonably available to discuss portfolios with clients as specified under Rule 3a-4 of the Investment Company Act of 1940. The Firm recommends that the client contact LWA to coordinate communications with an Independent Manager. Mutual funds and ETFs do not generally do not make their portfolio managers available to discuss accounts with clients.

## **Item 9. Additional Information**

### **Disciplinary Information**

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Neither LWA nor its Management Persons have been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

### **Affiliations and Material Business Relationships**

LWA is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. The Firm has described such relationships below:

### **Affiliated Broker Dealer and Insurance Agency**

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LWA is affiliated with Lebenthal & Co., which is a separate entity and broker-dealer in which LWA's parent Lebenthal Holdings LLC has an ownership interest. In addition, certain Supervised Persons and Management Persons of LWA are also registered representatives and/or insurance agents of Lebenthal & Co. and in such capacity, such Supervised Persons may effect securities brokerage and insurance transactions on a commission basis including transactions for LWA's investment advisory clients. These Supervised Persons may receive additional compensation in the form of insurance commissions and/or 12b-1 fees on mutual funds held in a client's account. A conflict of interest exists to the extent that LWA recommends the purchase of securities where LWA's Supervised Persons receive commissions or other additional compensation.

To the extent it is requested to act as an executing broker, Lebenthal & Co., LLC generally does not act as principal in executing trades for LWA investment advisory clients (except to the extent permitted by a program and the law).

Lebenthal & Co., LLC, LWA and their affiliates provide a variety of services (including research, brokerage, asset management and investment banking services) for each other and for various clients, including issuers of securities that LWA may recommend for purchase or sale by clients or are otherwise held in client accounts and investment management firms in the programs described in this brochure. Lebenthal & Co., LLC, LWA and their affiliates receive compensation and fees in connection with these services. Lebenthal & Co., LLC, LWA, and their affiliates and employees may hold a position (long or short) in the same securities held in client accounts. Lebenthal believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account. Accordingly, it is likely that securities in an account will include some of the securities for which Lebenthal & Co., LLC, LWA and their affiliates perform investment banking

or other services. Further, there may be periods during which Lebenthal & Co., LLC are not permitted to initiate or recommend certain types of transactions in the securities of issuers for which Lebenthal & Co., LLC is performing broker-dealer or investment banking services or have confidential or material non-public information.

LWA and their affiliates may give different advice, take different action, receive more or less compensation, or hold or deal in different securities for any other party, client or account (including their own accounts or those of their affiliates) from the advice given, actions taken, compensation received or securities held or dealt for your accounts.

### **Related Investment Adviser**

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LWA is under common control with its affiliated SEC registered investment adviser, Lebenthal Asset Management, LLC (“LAM”) and Lebenthal Partners, LLC. Certain Supervised Persons of LWA also serve in the same or similar capacity for LAM and Lebenthal Partners, LLC.

As set forth herein, from time to time, LAM’s investment advisory services may be selected by LWA clients. As such, LAM may serve as an Affiliated Manager for LWA. Additionally, James Lebenthal (the Chief Executive Officer and Chief Investment Officer of LAM) serves in a dual-registered capacity, serving as both the Chief Investment Officer for LWA and as part of LWA’s Investment Committee. Further, LAM is in the process of preparing asset allocation models and model portfolios which can be utilized by LWA clients for investment purposes. LWA addresses the conflicts associated with such involvement by LAM through disclosure to clients of the relationship, ensuring any recommendations are suitable and any fees charged are reasonable and similar to fees charged by independent managers or model providers providing similar services. With respect to certain Retirement Plan accounts in which an Affiliated Manager is selected, the Firm may offset or rebates fees where applicable so that it complies with Department of Labor and IRS rules and regulations.

Lebenthal & Co., LLC does business with companies covered by its research group. Further, client accounts may hold the securities of companies subject to such research. In those instances Lebenthal & Co., LLC has a conflict of interest that could affect the objectivity of its research reports.

LWA and their affiliates may give different advice, take different action, receive more or less compensation, or hold or deal in different securities for any other party, client or account (including their own accounts or those of their affiliates) from the advice given, actions taken, compensation received or securities held or dealt for your accounts.

### **Related Accounting Firm**

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LWA, which does not offer accounting services to clients, is however, under common control with an entity named Lebenthal Family Office (“LFO”) which does provide accounting services to clients. In the event a client requires accounting services, the Firm may recommend a certified public accountant or it may recommend the services of Lebenthal Family Office (“LFO”). These services are rendered independent of LWA and pursuant to a separate agreement between the client and the Firm. The Firm does not receive any portion of the fees paid by the client to LFO and at present does not receive a referral fee in connection with the accounting services that LFO renders to its clients. There exists a conflict of

# Wrap Fee Program Brochure



interest to the extent that the Firm recommends the services of LFO, where LFO receives compensation as a result.

## **Lebenthal Trust Services**

LWA has entered into an agreement with a third party trust institution to provide white-labeled trust services to clients under the business name Lebenthal Trust Services. The entity which acts as trustee and provides trust administrations services through Lebenthal Trust Services is not owned or affiliated with LWA or any other Lebenthal entity. LWA does not act as a trustee or provide trust administration services. LWA, however, is paid a fee from Lebenthal Trust Services for clients who are referred to, and elect to appoint, Lebenthal Trust Services for trust administration purposes. LWA may be appointed as an investment manager by Lebenthal Trust Services and in such cases LWA will also earn an investment management fee on such client's accounts. While it may appear to be a conflict, LWA does not believe this creates any actual conflict of interest.

## **Brinker Capital**

LWA's parent company Lebenthal Holdings, LLC has obtained financing from Brinker Capital, which is an Independent Manager and provider of model mutual fund, ETF and SMA portfolios. None of the financing is or was dependent upon LWA's utilization of Brinker's products and services. Further, LWA's current relationship with Brinker is one of a Solicitor and the Firm does not provide investment advice to clients who select a Brinker product or service. Notwithstanding that fact, the Firm may recommend Brinker's products and services to clients for whom such products and services are appropriate. To address the conflict of interest, the Firm evaluates each client's use of Brinker to ensure that the fees charged are reasonable and that the product selected is suitable for the client.

## **Lebenthal Lisanti Capital Growth**

On March 2, 2015, Lebenthal Asset Management made an investment in an SEC registered investment advisory firm named AH Lisanti Capital Growth, LLC. Contemporaneously with that investment, AH Lisanti renamed itself Lebenthal Lisanti Capital Growth, LLC. As such, Lebenthal Lisanti is an investment advisor that is indirectly affiliated with LWA and is treated as an Affiliated Manager by LWA. Lebenthal Lisanti provides equity asset management services to individuals and pensions and also advises a mutual fund named Lebenthal Lisanti Small Cap Growth Fund. From time to time, LWA representatives may recommend investment Lebenthal Lisanti Small Cap Growth Fund. Clients are advised of the conflict of interest associated with such recommendation. To address the conflict of interest, the Firm evaluates each clients selection of Lebenthal Lisanti Small Cap Growth Fund to ensure that the product selected is suitable for the client. Neither LWA nor its representatives receive any direct compensation for recommended Lebenthal Lisanti or Lebenthal Lisanti Small Cap Growth Fund. With respect to certain Retirement Plan accounts in which Lebenthal Lisanti is selected, the Firm may offset or rebates fees where applicable so that it complies with Department of Labor and IRS rules and regulations.

## **Money Market Funds/Bank Deposit Programs**

The Firm's custodians may make available to clients the opportunity to invest available cash in money market funds or Bank Deposit Programs run by the custodian or its affiliates. In the event that a

custodian's (or its affiliates) money market fund or Bank Deposit Program is selected, LWA's affiliated broker-dealer may be compensated for such investment selection by the client. As such, a conflict of interest exists between recommending these products and money market or bank deposit programs of other providers.

## **Code of Ethics**

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The Firm has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. The Firm's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons, and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of LWA's personnel to report their personal securities holdings and transactions, and obtain pre-approval of all securities transactions on an electronic basis. The Firm has contracted with a third-party software vendor for trade pre-clearance and trade review purposes. The Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

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 LWA to request a copy of its Code of Ethics.

## **Account Reviews**

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LWA monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with LWA, and to keep the Firm informed of any changes thereto. The Firm 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.

## **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from LWA and/or an outside service provider which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any reports they receive from LWA or an outside service provide.

## **Client Referrals**

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The Firm does not currently provide compensation to any third-party solicitors for client referrals. The Firm, however, may pay internal or affiliated personnel for referring business to LWA. The Firm may also receive referral payments for trust business directed to Lebenthal Trust Services as referenced earlier in this Section.

During 2015, it is possible that the Firm will enter into agreements with third parties that solicit clients for the Firm's advisory programs. Under such agreements, the third parties may refer or solicit clients and receive compensation for such services. Where applicable, all such arrangements will fully comply with the requirements of Rule 206(4)-3 of the Advisers Act and related SEC staff interpretations.

## **Receipt of Economic Benefit**

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While the Firm is generally agnostic with regard the broker-dealer or custodian chosen by the client, LWA may recommend that clients utilize the custody, brokerage and/or clearing services of various Financial Institutions including, but not limited to Lebenthal & Co. as a broker-dealer.

Factors which LWA considers in recommending Financial Institutions to clients include their respective financial strength, reputation, execution, pricing, research and services. Certain Financial Institutions may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Financial Institutions recommended by LWA may be higher or lower than those charged by other firms. To this end, LWA may receive commissions and transaction fee pricing from Financial Institutions/Custodians which LWA views to be very competitive and advantageous to its clients and LWA, therefore it gives LWA an incentive to recommend using those Financial Institutions as Custodians and/or as broker-dealers to execute transactions. While this is a potential conflict of interest as these Financial Institutions/Custodians require LWA to meet a certain minimum amount of assets on their platform to obtain and maintain this preferential pricing, LWA believes that its selection of these Financial Institutions as Custodians and executing brokers is in the best interest of its clients because of the scope, quality and price of services LWA is able to obtain.

The commissions paid by LWA's clients to Financial Institutions comply with the Firm'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 LWA 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. LWA seeks competitive rates, but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist LWA in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because LWA does not have to produce or pay for the products or services. The Firm periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

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

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LWA may receive without cost from certain Financial Institutions computer software and related systems support, which allow LWA to better monitor client accounts maintained at a particular Financial Institution. LWA may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at that Financial Institutions. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit LWA, but not its clients directly. In fulfilling its duties to its clients, LWA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that LWA's receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, LWA may receive the following benefits from certain Financial Institutions:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.
- Educational conferences and events; and
- Technology, compliance, legal and business support.

Additionally, the Firm has a relationship with Schwab Advisors Services whereby Schwab agreed to provide certain incentives to the Firm to the extent the Firm custodies assets with it. In particular, Schwab has agreed to pay ACAT (account transfer fees) up to a certain amount and otherwise to pay for technology and benefits up to a certain amount. As a result, the Firm has a direct conflict of interest in

selecting Schwab as a custodian. The Firm addresses this conflict by ensuring that the selection of Schwab meets the client's needs and is in the client's best interest as well as a review from a best execution standpoint to the extent transactions are executed through Schwab.

### **Financial Information**

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LWA is not required to disclose any financial information due to the following:

The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered; the Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and the Firm has not been the subject of a bankruptcy petition at any time during the past ten years.