

# **LGT Financial Advisors LLC**

## **Brochure**

**Dated: September 19, 2016**

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**This brochure provides information about the qualifications and business practices of LGT Financial Advisors LLC. If you have any questions about the contents of this brochure, please contact us at (214) 461-1500 or [ScottG@lgt-fa.com](mailto:ScottG@lgt-fa.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about LGT Financial Advisors LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to LGT Financial Advisors LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to LGT Financial Advisors LLC's disclosure statement since its last Annual Amendment filing on March 30, 2015.

**ANY QUESTIONS: LGT Financial Advisors' Chief Compliance Officer, Scott Gunn, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

## **Item 3           Table of Contents**

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	8
Item 6	Performance-Based Fees and Side-by-Side Management .....	10
Item 7	Types of Clients.....	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9	Disciplinary Information .....	13
Item 10	Other Financial Industry Activities and Affiliations .....	13
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Item 12	Brokerage Practices .....	15
Item 13	Review of Accounts.....	17
Item 14	Client Referrals and Other Compensation .....	18
Item 15	Custody.....	18
Item 16	Investment Discretion.....	19
Item 17	Voting Client Securities.....	19
Item 18	Financial Information .....	19

#### **Item 4            Advisory Business**

- A. LGT Financial Advisors LLC (the “Registrant”) is a limited liability company formed on September 29, 1998 in the State of Texas. Registrant became registered as an Investment Adviser Firm in May 2001. Registrant is principally owned by its Managing Member, Lane Gorman Trubitt, PLLC.
- B. As discussed below, Registrant offers to its clients (individuals, business entities, trusts, estates, pension and profit sharing plans and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis. Registrant’s annual investment advisory fee is negotiable, but is generally 1% of the market value of the assets placed under Registrant’s management, but shall be based upon the level and scope of the overall investment advisory services to be rendered, which is based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under the Registrant’s management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement. (*See* Fee Differential Below).

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, Registrant may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant’s planning and consulting fees are negotiable, but generally range from \$3,000 to \$20,000 on an annual fixed fee basis, and between \$350 and \$395 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including Registrant’s representatives in their individual capacities as registered representatives of a broker-dealer, accountants and/or licensed insurance agents. (*See* disclosure at Item 10.C). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. Please Also Note: It remains the client’s responsibility to promptly notify Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant’s previous recommendations and/or services.

## MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant **does not** serve as an attorney or accountant, and no portion of its services should be construed as legal or accounting services. Accordingly, Registrant **does not** prepare estate planning documents or tax returns. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.), including representatives of Registrant in their separate individual capacities as representatives of Investment Security Corporation (“ISC”), an SEC registered and FINRA member broker-dealer and/or as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant and/or its representatives. **Please Note:** If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note-Conflict of Interest:** The recommendation by Registrant’s representative that a client purchase a securities or insurance commission product through Registrant’s representative in his/her separate and individual capacity as a registered representative of ISC and/or as an insurance agent, presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment or insurance products based on commissions to be received, rather than on a particular client’s need. No client is under any obligation to purchase any securities or insurance commission products through such a representative. Clients are reminded that they may purchase securities and insurance products recommended by Registrant through other, non-affiliated broker-dealers and/or insurance agencies. **Registrant’s Chief Compliance Officer, Scott Gunn remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Retirement Plan Rollovers-No Obligation/Conflict of Interest.** A client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in his/her former employer’s plan, if permitted, (ii) roll over the assets to his/her new employer’s plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). The Registrant may recommend an investor roll over plan assets to an IRA managed by the Registrant. As a result the Registrant and its representatives may earn an asset-based fee (see **Please Note** below). In contrast, a recommendation that a client or prospective client leave his/her plan assets with his/her former employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to the Registrant (unless the client engages the Registrant to monitor and/or manage the account while maintained at the client’s employer). The Registrant has an economic incentive to encourage a client to roll plan assets into an IRA that the Registrant will manage **or** to engage the Registrant to monitor and/or manage the account while maintained at the client’s employer. There are various factors that the Registrant may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and

expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus the Registrant's, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. No client is under any obligation to roll over plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. **Please Note:** If Registrant's engagement will include the management of the client's retirement account per the same fee schedule set forth in Item 5 below, regardless of custodian or the client's decision to process a rollover, the above economic incentive to recommend a rollover is generally not present. **The Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.**

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis **must be willing to accept** that Registrant cannot effect any account transactions without obtaining prior consent to any such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client's account (including an individual holding or in the event of general market correction), and the client is unavailable, Registrant will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Unaffiliated Private Investment Funds.** Registrant may also provide investment advice regarding unaffiliated private investment funds. Registrant, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that Registrant references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price.

**Use of Mutual Funds.** While the Registrant may recommend allocating investment assets to mutual funds that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publically-available mutual funds that the client could obtain without engaging Registrant as an investment advisor. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services.

**eMoney Advisor Platform.** Registrant may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view his/her/its complete asset allocation, including those assets that Registrant does not manage (the "Excluded Assets"). Registrant does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, Registrant shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or his/her/its advisor(s) that maintain management authority for the Excluded Assets, and not Registrant, shall be exclusively responsible for such investment performance. The client may choose to engage Registrant to manage some or all of the Excluded Assets pursuant to the terms and conditions of an *Investment Advisory Agreement* between Registrant and the client. The eMoney platform also provides access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Registrant. Finally, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Registrant's assistance or oversight.

**Fee Differentials.** As indicated below, Registrant shall receive an investment advisory fee based upon a percentage (%) of the market value of the assets placed under management (generally 1%). However, fees shall vary depending upon various objective and subjective factors, including but not limited to: the representative assigned to the account, the amount of assets to be invested, the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, anticipated future additional assets, and negotiations with the client. As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. Moreover, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. **Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above fee disparity, impact on account performance, and conflict of interest.**

**Separately Managed Account Programs.** The Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated Separately Managed Account programs, including but not limited to Envestnet, and in accordance with the client's designated investment objective(s). In such situations, the Separately Managed Account Manager shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending Separately

Managed Account programs include the client's designated investment objective(s) as applied to the Separately Managed Account program: management style, performance, reputation, financial strength, reporting, pricing, and research.

**Sub-Advisory Arrangements.** Registrant may engage sub-advisors for the purpose of assisting Registrant with the management of its client accounts, including but not limited to the Elements Group and Lido Advisors, LLC. The sub-advisor(s) shall have discretionary authority for the day-to-day management of the assets that are allocated to it by Registrant. The sub-advisor shall continue in such capacity until such arrangement is terminated or modified by Registrant. Sub-advisors may be replaced and/or added at the discretion of the Registrant without prior notice to the client. Registrant shall pay a portion of the investment advisory fee received for these allocated assets to the sub-advisor for its sub-advisory services. Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions concerning Registrant's sub-advisory arrangements.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

- C. Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time impose reasonable restrictions, in writing, on Registrant's services.
- D. **Wrap/Managed Account programs:** In the event that Registrant is engaged to provide investment management services as part of an unaffiliated wrap-fee program, Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that Registrant is engaged to provide investment management services as part of an unaffiliated managed account program, Registrant will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts. **Please Note:** Since the custodian/broker-dealer is determined by the unaffiliated wrap and/or managed account program sponsor, Registrant will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, clients may pay higher commissions or other transaction costs or

greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case through alternative clearing arrangements recommended by Registrant. Higher transaction costs adversely impact account performance. **Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client may have regarding participation in a wrap fee program.**

- E. As of December 31, 2015, Registrant had \$154,575,683 in assets under management on a discretionary basis and \$32,149,964 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

A.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis, Registrant's annual investment advisory fee is negotiable, but is generally 1% of the market value of the assets placed under Registrant's management, but shall be based upon the level and scope of the overall investment advisory services to be rendered, which is based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under the Registrant's management, the level and scope of financial planning and consulting services to be rendered, and the complexity of the engagement. (*See* Fee Differential above).

#### **AssetMark, Inc.**

Registrant offers an asset allocation system known as the AssetMark, Inc. ("AssetMark") Platform. Client fees are payable quarterly, in advance, based upon the assets under Registrant's management, as set forth in the above fee schedule. *Clients are advised they may pay additional fees to AssetMark.* The investment management fees charged by *AssetMark*, shall generally be exclusive of, and in addition to, Registrant's investment advisory fee set forth above.

The minimum investment required in the AssetMark Platform depends upon the investment solution chosen for a client's account. It is generally \$50,000 for mutual fund and variable annuity accounts, \$100,000 for exchange-traded fund accounts and \$50,000 to \$500,000 for privately managed and Unified Managed Accounts (a professionally managed private investment account that is rebalanced regularly and can encompass every investment vehicle [e.g. mutual funds, stocks, bonds and exchange traded funds] in a client's portfolio, all in a single account). Accounts below the stated minimums may be accepted on an individual basis at the discretion of Registrant and AssetMark.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$3,000 to \$20,000 on an annual fixed fee basis, and between \$350 to \$395 on an hourly



rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Registrant's investment advisory fee and to directly remit that management fee to Registrant in compliance with regulatory procedures. In the limited event that Registrant bills the client directly, payment is due upon receipt of Registrant's invoice. Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Registrant shall generally recommend that National Financial Services LLC and Fidelity Brokerage Services LLC (collectively "*Fidelity*") and TD Ameritrade ("TD") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* and TD charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Registrant generally requires a \$250,000 minimum asset level for investment advisory services. Registrant, in its sole discretion, may require a greater minimum asset level based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, Registrant shall refund the prorated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage Registrant's representatives, in their individual capacities, as registered representatives of *ISC* to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Registrant's representatives, *ISC* will charge brokerage commissions to effect securities transactions, a portion of which commissions *ISC* shall pay to Registrant's representatives, as applicable. The brokerage commissions charged by *ISC* may be higher or lower than those charged by other broker-dealers. In addition, *ISC*, as well as Registrant's representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

- 1. **Conflict of Interest:** The recommendation that a client purchase a commission

product from Registrant's representatives presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, Registrant's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). However, a client may engage Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

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

Neither Registrant nor any supervised person of Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

Registrant's clients shall generally include individuals, business entities, pension and profit sharing plans, trusts, estates and charitable organizations. Registrant generally requires a \$250,000 minimum asset level for investment advisory services. Registrant, in its sole discretion, may require a greater minimum asset level based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. Registrant may utilize the following methods of security analysis:
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

- B. Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Registrant must have access to current/new market information. Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Registrant's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Registrant may also implement and/or recommend –use of options transactions. The use of options strategies has a high level of inherent risk.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security

depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. Please Note: Although the intent of the options-related transactions that may be implemented by Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Registrant primarily allocates (or recommends that the client allocate) client investment assets among various individual equity (stocks), debt (bonds), mutual funds, real estate investment trusts, private placements, options and/or exchange traded funds, on a discretionary basis, and among independent managers, on a non-discretionary basis, in accordance with the client's designated investment objective(s).

**AssetMark, Inc.**

As set forth in Item 5.A above, Registrant offers an asset allocation system known as the AssetMark, Inc. ("AssetMark") Platform.

With respect to clients investing in the AssetMark Platform, Registrant uses model portfolios of equities, fixed income, mutual funds, exchange traded funds and variable annuity sub-accounts provided by a number of institutional investment strategists ("Portfolio Strategists") and based on the information, research, asset allocation methodology and investment strategies of these Portfolio Strategists.

Registrant does not take any independent discretionary authority over accounts on the AssetMark Platform. Instead, asset allocations on the platform are composed by the Portfolio Strategists with the different model allocations designed to satisfy a gradient of risk/return objectives. The Portfolio Strategists have no direct relationship with Registrant or Registrant's clients, make no analysis of and do not consider the clients' individual circumstances or objectives, and do not tailor the model asset allocation to any specific client's needs, circumstances or objectives, but only to the stated risk/return objectives. Registrant assists the client in selecting the risk/return objective and Portfolio Strategist that best suits the client's objectives. The client then specifically directs the account to be invested in accordance with the chosen asset allocation. When the client selects the asset allocation, the client further directs that the account be automatically adjusted to reflect any adjustment in the asset allocation by the selected Portfolio Strategist. This client authorization results in the purchase and sale of certain equities, fixed income, mutual funds or exchange traded funds (or transfers between variable annuity sub-accounts) without further authorization by the client or any other party at such time as the Portfolio Strategist changes the composition of the selected model asset allocation. The client receives confirmation of all transactions in the account and is free to terminate participation in the AssetMark Platform and retain or dispose of any assets in the account at any time. Registrant has no authority to cause any purchase or sale of securities in any client account, or change the selected model asset allocation or to direct the account to be invested in any manner other than as previously authorized by the client.

## Item 9            Disciplinary Information

Registrant has not been the subject of any disciplinary actions.

## Item 10          Other Financial Industry Activities and Affiliations

- A. **Registered Representatives of ISC.** As disclosed above in Item 5.E, certain of Registrant's representatives are also registered representatives of ISC, an SEC registered and FINRA member broker-dealer.
- B. Neither Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Registered Representatives of Broker-Dealer.** As disclosed above in Item 5.E, certain of Registrant's representatives are registered representatives of ISC. Clients can choose to engage Registrant's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

The recommendation by Registrant's representatives that a client purchase a securities commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase securities products recommended by Registrant's representatives through other, non-affiliated broker-dealers. Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

**Accounting Firm.** Registrant's Representatives are also either employed by, or Partners of, Lane Gorman Trubitt, PLLC ("*LGT*"). Certain of Registrant's representatives are Certified Public Accountants and/or Certified Financial Planners offering various accounting services through *LGT*, for which they may be paid fees. Specifically, to the extent that *LGT* provides accounting services to any clients, including clients of Registrant, all such services shall be performed by *LGT*, independent of Registrant, for which services Registrant shall not receive any portion of the fees charged by *LGT*, referral or otherwise. *LGT* is not involved in providing investment advice on behalf of Registrant, nor does *LGT* hold itself out as providing advisory services on behalf of Registrant. No client of Registrant is under any obligation to use the accounting services of *LGT*. Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest

**Licensed Insurance Agency/Agents.** *LGT Insurance Services, Inc.* is an affiliated licensed insurance company. Also, certain of Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Registrant's representatives to effect insurance transactions on a commission basis.

The recommendation by the Registrant or certain of its representatives that a client purchase an insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agencies and/or insurance agents. Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

**Other Investment Adviser Firms.** Certain of the Registrant's investment advisory representatives also serve as investment adviser representatives, on an independent contractor basis, of Lido Advisors, LLC, an unaffiliated SEC registered investment advisor firm (SEC# 801-100433). The Registrant shall not receive compensation for any referral made to Lido Advisors, LLC. The recommendation by the Registrant or any of its representatives that a client engage the investment advisory services of Lido Advisors, LLC presents a conflict of interest as certain of the Registrant's investment advisory representatives, in their individual capacity as investment advisory representatives of Lido Advisors, LLC, may receive a direct economic benefit from any such referral. No client is under any obligation to engage the services of Lido Advisors, LLC. The Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Registrant or any person associated with Registrant.

- B. Neither Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which Registrant or any related person of Registrant has a material financial interest.
- C. Registrant and/or representatives of Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit

upon the rise in the market price which follows the recommendation) could take place if Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Registrant’s clients) and other potentially abusive practices.

Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Registrant’s “Access Persons”. Registrant’s securities transaction policy requires that an Access Person of Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Registrant and/or representatives of Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Fidelity* or *TD Ameritrade*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Registrant considers in recommending *Fidelity* or *TD Ameritrade* (or any other broker-dealer/custodian to clients) include historical relationship with Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Registrant determines, in good faith, that the commission/transaction fee is 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 broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and

in addition to, Registrant's investment management fee. Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Fidelity* or *TD Ameritrade* (another broker-dealer/custodian, investment platform and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* or *TD Ameritrade* as a result of this arrangement. There is no corresponding commitment made by Registrant to *Fidelity*, *TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

**AssetMark, Inc. Program**

With respect to the AssetMark Platform, Registrant may, subject to negotiation with AssetMark, receive certain allowances, reimbursements or services from AssetMark in connection with Registrant's investment advisory services to its clients.

Under AssetMark's Gold/Platinum Premier Consultant Program, Registrant is entitled to receive a quarterly business development allowance for reimbursement for qualified marketing/practice management and educational expenses incurred by Registrant. These amounts range from \$5,000 up to \$105,000 annually, depending on the amount of the advisor's client assets managed within the Platform. AssetMark may also bear the cost of airfare for firms such as Registrant to attend AssetMark's annual conference or to conduct due diligence visits to AssetMark's offices. In addition, AssetMark may, from time to time, contribute to the costs incurred by participating firms such as Registrant in connection with conferences or other client events conducted by such firms and their representatives. AssetMark may agree to



provide the firm or its representatives with organizational consulting, education, training and marketing support.

**Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Registrant does not receive referrals from broker-dealers.
3. Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Registrant decides to purchase or sell the same securities for several clients at approximately the same time. Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13      Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review

financial planning issues (to the extent applicable), investment objectives and account performance with Registrant on an annual basis.

- B. Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, Registrant may receive an indirect economic benefit from *Fidelity* and/or TD Ameritrade. Registrant, without cost (and/or at a discount), may receive support services and/or products from *Fidelity* and/or TD Ameritrade..

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* and/or TD Ameritrade..as a result of this arrangement. There is no corresponding commitment made by Registrant to *Fidelity*, TD Ameritrade, or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. Registrant does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

#### **Item 15      Custody**

Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Registrant may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Registrant with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of Registrant's advisory fee calculation.

**Please Note:** Custody Situations: The Registrant engages in other practices and/or services on behalf of its clients that require disclosure at the Custody section of Part 1 of

Form ADV, which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. The Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

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

The client can determine to engage Registrant to provide investment advisory services on a discretionary basis. Prior to Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming Registrant as client's attorney and agent in fact, granting Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Registrant on a discretionary basis may, at anytime, impose restrictions, in writing, on Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Registrant's use of margin, etc.).

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

- A. Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Registrant to discuss any questions they may have with a particular solicitation.

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

- A. Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Registrant's Chief Compliance Officer, Scott Gunn, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**