

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

January 18, 2017

#### **Slayton Lewis, Inc.**

SEC File No. 801-58163

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This brochure provides information about the qualifications and business practices of Slayton Lewis, Inc. If you have any questions about the contents of this brochure, please contact us at 866-752-9866 or [info@slaytonlewis.com](mailto:info@slaytonlewis.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. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

Additional information about Slayton Lewis, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. At this time there are no material changes.

Currently, our Brochure may be requested by contacting Caroline Cain, our Operations Manager, at 866-752-9866 or [Caroline@slaytonlewis.com](mailto:Caroline@slaytonlewis.com). Our Brochure is also available on our web site [www.slaytonlewis.com](http://www.slaytonlewis.com), also free of charge.

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## **Item 4: Advisory Business**

### **A. Slayton Lewis, Inc.**

Slayton Lewis, Inc. ("Slayton Lewis" and/or "the firm") is a corporation organized in the state of Utah. The firm also has a principal office in Chicago, Illinois. The firm is principally owned by William Campbell and has been offering investment advisory services since 2000.

### **B. Advisory Services Offered**

#### **B.1. Asset Management Services**

Investment management services include a current assessment of each client's investable assets, a determination of the client's investment goals, and a determination of the client's investment risk tolerance. Slayton Lewis will present each client with an asset allocation model that is most closely aligned with the client's goals for the desired time frame, taking into consideration the client's tolerance for risk. Slayton Lewis will then implement the investment plan by making the appropriate investment choices and monitoring the portfolio on an ongoing basis. Many times clients will wish to retain legacy positions that they hold in their portfolio or wish not to hold certain types of securities. Slayton Lewis can consider these preferences when formulating an appropriate investment portfolio.

In addition to providing Slayton Lewis with information regarding their personal and financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. Slayton Lewis will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. Slayton Lewis will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

#### **B.2. Financial Planning Services**

If so desired, Slayton Lewis will provide financial planning services to its clients, which may include a review of a client's cash flow, risk management, tax matters, retirement planning along with estate and philanthropic planning. Slayton Lewis may provide a detailed plan along with appropriate strategies to increase a client's effectiveness in those given areas. This service may be included at no additional cost to the client, depending upon the amount of the client's investable assets.

#### **B.3. Pension Consulting Services**

Slayton Lewis offers retirement plan services through its affiliate SL Pension. SL Pension provides. In that capacity, SL Pension acts as a fiduciary to provide investment advice to the

company owners and the plan participants by selecting appropriate investment choices for the plan. In addition, participants may select one of four different investment strategies managed by Slayton Lewis based upon their investment goals. These strategies are portfolios constructed by using an allocation of the funds available in the plan based upon various risk levels.

Slayton Lewis has discretion to modify these allocations from time to time based upon market and economic conditions as well as add or remove funds to or from the plan. The participant is under no obligation to use any of the managed strategies and can construct a portfolio using the fund choices in the plan. In addition, participants may set up a self-directed account with the custodian in which case their investment choices are significant. There is no additional charge for using the managed strategies and there is a small charge for setting up a self-directed account.

### **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

### **D. Wrap Fee Programs**

Slayton Lewis does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

### **E. Client Assets Under Management**

As of December 31, 2015, Slayton Lewis manages \$162,900,000 of discretionary assets and \$11,600,000 of non-discretionary assets.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset-Based Fee Schedule

The firm's fee for the services is an asset-based fee calculated as a percentage of the value of the managed assets, calculated according to the following fee schedule, which represents the advisor's maximum fees for individual services.

<u>Assets Under Management</u>	<u>Annual Fee Rate*</u>
\$0 to \$1,250,000	1.00%
\$1,250,001 to \$2,000,000	0.80%
\$2,000,001 to \$10,000,000	0.60%
Over \$10,000,000	0.45%

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due with such payments to be reflected on the next account statement sent to the client.

Asset-based fees are always subject to the investment advisory agreement between the client and Slayton Lewis. The fee will be a percentage of the market value of all assets in the account on the last trading day of each calendar quarter. The management fee is payable quarterly in arrears based upon the ending quarterly value. In any partial quarter, the management fee will be prorated based on the number of days that the account was open during the month.

Retainer fees are billed monthly in arrears.

A client investment advisory agreement may be canceled by either party upon 30 days' written notice to the other. Upon termination, any earned, unpaid fees will be promptly due and payable.

#### A.2. Hourly and Fixed Fee Arrangements

Financial planning fees will be billed at the rate of \$250 per hour or a fixed fee mutually agreed upon by the client and Slayton Lewis and requires a separate agreement to define the scope of work. For fixed fee arrangements, Slayton Lewis will provide the prospective client with an estimate of the fixed charges prior to finalizing the financial planning agreement. Estimates will be based upon a good faith estimate of the number of hours to complete the assignment multiplied by the hourly rate and re-evaluated at a later point as discussed above. The client will be billed directly for such services. A financial planning agreement may be canceled by the client at any time by either party upon written notice to the other. Upon cancellation, the client will be billed an invoice for time spent on the project up to such point. The invoice is payable upon receipt.

### A.3. Pension Consulting Services

All SL Pension clients are billed at 75 basis points. In addition to these fees, SL Pension clients will pay fees to a third party administrator, fees charged by the custodian, along with expense fees charged by the various mutual funds. In total, fees range from 105 basis points to 147 basis points depending upon size of the plan and the investment choices. All fees are billed on a quarterly basis in arrears based upon the quarter ending value.

## B. Client Payment of Fees

Slayton Lewis requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

Slayton Lewis will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

## C. Additional Client Fees Charged

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using Slayton Lewis may be precluded from using certain mutual funds because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## D. Prepayment of Client Fees

Slayton Lewis does not require its fees to be prepaid. Slayton Lewis's fees will either be paid directly by the client or disbursed to Slayton Lewis by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver



directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled by either party upon 30 days' written notice to the other. Upon termination, any unearned, prepaid fees will be promptly refunded.

### **E. External Compensation for the Sale of Securities to Clients**

Slayton Lewis advisory professionals are compensated solely through a salary and bonus structure. Slayton Lewis is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.

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

Slayton Lewis does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **Item 7: Types of Clients**

Slayton Lewis provides portfolio management services primarily to high net worth individuals and families, including their related trusts, corporations, non-profit institutions, and retirement plans. Slayton Lewis requires a beginning account balance of \$2 million to begin working with an individual client.

With respect to SL Pension, Slayton Lewis typically does not work with startup plans; a current balance of at least \$2 million is required. Additionally SL Pension generally works with companies with no more than 100 active place participants.

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

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

Slayton Lewis's investment strategies are based on the concepts of asset allocation and low-cost index investing. Portfolio construction and analysis is based on frameworks such as modern portfolio theory and mean variance optimization utilizing historical statistical analysis coupled with economic and market research to formulate asset allocations that seek to maximize risk adjusted returns. Asset allocation seeks to reduce the risk of loss but does not preclude one from risk of loss; clients should be prepared to experience losses from time to time.

Slayton Lewis uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Slayton Lewis and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Slayton Lewis reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Slayton Lewis may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

## **A.2. Material Risks of Investment Instruments**

Slayton Lewis will typically invest in a mix of global stocks, bonds, commodities & real estate with a focus on long term performance and low costs. For SL Pension, every plan has at least 15 different and distinct asset classes from which to choose.

- Equity securities
- Mutual fund securities
- Exchange-traded funds
  - Commodity emphasis
- Fixed income securities
- Municipal securities
- Pooled investment vehicles
- Corporate debt obligations
- REITS

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **A.2.b. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **A.2.c. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

*Commodity emphasis:* An exchange-traded fund that invests in commodities carries significant risks, including price, credit and market risk as well as risks to the underlying commodity which could involve currency, political, environmental, regulatory and related risks. In addition, investing in commodities requires leverage, and leverage increases an investor's risk and may subject the underlying commodities to greater volatility and by extension price volatility.

#### **A.2.d. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.2.e. Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, the firm will be unable to monitor or verify the accuracy of such performance information.

#### **A.2.f. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **A.2.g. REITS**

A REIT is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, or be offered as a non-traded REIT. REITs, both public exchange-traded and non-traded, are subject to risks including volatile fluctuations in real estate prices, as well as fluctuations in the costs of operating or managing investment properties, which can be substantial. Many REITs obtain management and operational services from companies and service providers which are directly or indirectly related to the sponsor of the REIT, which presents a potential conflict of interest that can impact returns on investments.

Non-traded REITs include: (i) A REIT that is registered with the SEC but is not listed on an exchange or over-the-counter market (non-exchange traded REIT); or (ii) a REIT that is sold pursuant to an exemption to registration (Private REIT). Non-traded REITs are generally blind pool investment vehicles. Blind pools are limited partnerships which do not explicitly state their future investments prior to beginning their capital raising phase. During this period of capital raising, non-traded REITs often pay distributions to their investors.

The risks of non-traded REITs are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, thus making them illiquid investments. As blind pool investment vehicles, non-traded REITs' initial share prices are not related to the underlying value of the properties. This is because non-traded REITs begin and continue to purchase new properties as new capital is raised. Thus, one risk for non-traded REITs is the possibility that the blind pool will be unable to raise enough capital to carry out its investment plan. After the capital raising phase is complete, non-traded REIT shares are infrequently re-valued and thus may not reflect the true net asset value of the underlying real estate investments. Non-traded REITs often offer investors a redemption program where the shares can be sold back to the sponsor; however, those redemption programs are often subject to restrictions and may be suspended at the sponsor's discretion. While non-traded REITs may pay distributions to investors at a stated target rate during the capital-raising

phases, the funds used to pay such distributions may be obtained from sources other than cash flow from operations, and such financing can increase operating costs.

## **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### **B.1. Margin Leverage**

Although Slayton Lewis, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, and, in very limited circumstances, Slayton Lewis will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### **B.2. Short-Term Trading**

Although Slayton Lewis, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.



### **B.3. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends, and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

### **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither Slayton Lewis nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither Slayton Lewis nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. SL Pension**

SL Pension, an affiliate of Slayton Lewis, provides retirement plan services to companies. Please note that investment advisory activities are performed through and under the supervision of Slayton Lewis. Also please be advised that Slayton Lewis has an economic incentive to recommend to participants of ERISA plans that offer a separately managed account option to utilize the investment services of Slayton Lewis at a potentially higher fee structure than would otherwise be available under the plan. Slayton Lewis mitigates this conflict by evaluating the services, fees, and investment options together with the participant's individual personal and financial circumstances to ensure any recommendation of a separately managed account option or rollover is appropriate and in the participant's best interests.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Slayton Lewis does not recommend separate account managers or other investment products in which it receives any form of referral or solicitor compensation from the separate account manager or client.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Slayton Lewis has adopted policies and procedures designed to detect and prevent insider trading. In addition, Slayton Lewis has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Slayton Lewis's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of Slayton Lewis. Slayton Lewis will send clients a copy of its Code of Ethics upon written request.

Slayton Lewis has policies and procedures in place to ensure that the interests of its clients are given preference over those of Slayton Lewis, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Slayton Lewis does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Slayton Lewis does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Slayton Lewis, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Slayton Lewis specifically prohibits. Slayton Lewis has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest

- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions
- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Slayton Lewis's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Slayton Lewis, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Slayton Lewis clients. Slayton Lewis will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to [Item 12.B.3](#) Order Aggregation). It is the policy of Slayton Lewis to place the clients' interests above those of Slayton Lewis and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Slayton Lewis may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. and TD Ameritrade (collectively "custodian"), FINRA registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Slayton Lewis may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. Slayton Lewis is independently owned and operated and not affiliated with custodian. For Slayton Lewis client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

Slayton Lewis considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by Slayton Lewis, Slayton Lewis will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Slayton Lewis will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

##### A.1.a. How We Select Brokers/Custodians to Recommend

Slayton Lewis seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)

- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

#### **A.1.b. Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into the custodian's accounts. [For some accounts, the custodian may charge a percentage of the dollar amount of assets in the account in lieu of commissions.] [The custodian's [commission rates [and] asset-based fees] applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the [overall commission rates [and] asset-based fees] paid are lower than they would be if the firm had not made the commitment. In addition to [commissions [or] asset-based fees], the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

#### **A.1.c. Soft Dollar Arrangements**

Slayton Lewis does not utilize soft dollar arrangements. Slayton Lewis does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.d. Institutional Trading and Custody Services**

The custodian provides Slayton Lewis with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. These services are not contingent upon Slayton Lewis committing to a custodian any specific amount of business (assets in custody or trading commissions). The custodian's brokerage services include the execution of securities

transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **A.1.e. Other Products and Services**

Custodian also makes available to Slayton Lewis other products and services that benefit Slayton Lewis but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Slayton Lewis's accounts, including accounts not maintained at custodian. The custodian may also make available to Slayton Lewis software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of Slayton Lewis's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help Slayton Lewis manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of Slayton Lewis personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Slayton Lewis may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.1.f. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Slayton Lewis. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Slayton Lewis.

#### **A.1.g. Additional Compensation Received from Custodians**

Slayton Lewis may participate in institutional customer programs sponsored by broker-dealers or custodians. Slayton Lewis may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Slayton Lewis's participation in such programs and the investment advice it gives to its clients, although Slayton Lewis



receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving Slayton Lewis participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Slayton Lewis by third-party vendors

The custodian may also pay for business consulting and professional services received by Slayton Lewis's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for Slayton Lewis's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Slayton Lewis but may not benefit its client accounts. These products or services may assist Slayton Lewis in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Slayton Lewis manage and further develop its business enterprise. The benefits received by Slayton Lewis or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Slayton Lewis also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Slayton Lewis to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Slayton Lewis will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Slayton Lewis's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Slayton Lewis's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Slayton Lewis endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Slayton Lewis or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Slayton Lewis's recommendation of broker-dealers for custody and brokerage services.

**A.1.g. The Firm's Interest in Schwab's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. These services are not contingent upon the firm committing any specific amount of business to the custodian in trading commissions or assets in custody. This minimum of client assets may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

**A.2. Brokerage for Client Referrals**

Slayton Lewis does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

**A.3. Directed Brokerage****A.3.a. Slayton Lewis Recommendations**

Slayton Lewis typically recommends Schwab and TD Ameritrade as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

**A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Slayton Lewis to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Slayton Lewis derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Slayton Lewis loses the ability to aggregate trades with other Slayton Lewis advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

**B. Aggregating Securities Transactions for Client Accounts****B.1. Best Execution**

Slayton Lewis, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the amount of such securities, and the executing broker. Slayton Lewis recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Slayton Lewis will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under

the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Slayton Lewis seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of Slayton Lewis's knowledge, these custodians provide high-quality execution, and Slayton Lewis's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Slayton Lewis believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Security Allocation**

Since Slayton Lewis may be managing accounts with similar investment objectives, Slayton Lewis may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Slayton Lewis in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Slayton Lewis's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Slayton Lewis will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Slayton Lewis's advice to certain clients and entities and the action of Slayton Lewis for those and other clients are frequently premised not only on the merits of a particular investment, but

also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Slayton Lewis with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Slayton Lewis to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Slayton Lewis believes that a larger size block trade would lead to best overall price for the security being transacted.

### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Slayton Lewis acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Slayton Lewis determines that such arrangements are no longer in the best interest of its clients.

## Item 13: Review of Accounts

### A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

Upon engagement of Slayton Lewis by the client, a thorough review of the client's goals, expectations and risk tolerance is discussed and quantified. An Investment Policy Statement is strongly advocated. This document details the various asset classes we use to construct and manage the portfolio for each client, along with the expectations of each security selection used to manage those assets in each asset class. Once a portfolio structure is agreed upon, each client account is reviewed on at least a quarterly basis by the firm Principal, Portfolio Manager and certain staff members to assess the appropriateness of the portfolio composition in light of current economic conditions and the client's investment goals. If a security has fallen from the performance margins as determined by Slayton Lewis, or if compelling market or economic conditions warrant, a new position or portfolio allocation may be selected to replace the current one. In addition, a client's portfolio will be reviewed prior to any meeting or in conjunction with liquidity issues or other cash flow movements.

SL Pension clients similarly go through a thorough review of goals, expectations and risk tolerance. Additionally, from time to time SL Pension will review the four investment strategies available on the SL Pension platform to make sure the risk levels are appropriate and the allocation is within the strategy's target range. Funds may be added or removed based upon market and economic conditions at the discretion of SL Pension as well as adjustments in the asset allocation.

### B. Review of Client Accounts on Non-Periodic Basis

Slayton Lewis may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Slayton Lewis formulates investment advice.

### C. Content of Client-Provided Reports and Frequency

Slayton Lewis reports to the client on a quarterly basis or at some other interval agreed upon with the client, information on contributions and withdrawals in the client's investment portfolio, and the performance of the client's portfolio measured against appropriate benchmarks (including benchmarks selected by the client).

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Slayton Lewis.

## Item 14: Client Referrals and Other Compensation

### A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

#### A.1. TD Ameritrade

As disclosed under Item 12, Slayton Lewis participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade Institutional to clients for custody and brokerage services. There is no direct link between Slayton Lewis's participation in the program and the investment advice it gives to clients, although the firm receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided either without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research related products and tools
- Consulting services
- Access to a trading desk serving our clients
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to our client's accounts)
- The ability to have advisory fees deducted directly from our client's
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees, and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third-party vendors

TD Ameritrade may also have paid for business consulting and professional services received by Slayton Lewis's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Slayton Lewis but may not benefit its clients' accounts. These products or services may assist Slayton Lewis in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Slayton Lewis manage and further develop its business enterprise. The benefits received by Slayton Lewis or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

As part of its fiduciary duties to clients, Slayton Lewis endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Slayton Lewis or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Slayton Lewis's choice of TD Ameritrade for custody and brokerage services.

## **B. Advisory Firm Payments for Client Referrals**

Slayton Lewis may enter into agreements with solicitors who will refer prospective advisory clients to Slayton Lewis in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with Slayton Lewis. The solicitor must provide the client with a disclosure document describing the fees it receives from Slayton Lewis, whether those fees represent an increase in fees that Slayton Lewis would otherwise charge the client, and whether an affiliation exists between Slayton Lewis and the solicitor. At the present time, Slayton Lewis does not have any solicitor relationships.

## Item 15: Custody

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by Slayton Lewis to the custodian statement for accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.



## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Slayton Lewis with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Slayton Lewis will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

Slayton Lewis does not take discretion with respect to voting proxies on behalf of its clients. Slayton Lewis will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Slayton Lewis supervised and/or managed assets. In no event will Slayton Lewis take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Slayton Lewis will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Slayton Lewis has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Slayton Lewis also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, Slayton Lewis has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Slayton Lewis receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Slayton Lewis does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Slayton Lewis does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.