



# Lara, May & Associates

A FOCUS FINANCIAL PARTNER | INDEPENDENT WEALTH MANAGEMENT



## Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure

Disclosure Document – 9/12/2017

### For Programs:

Asset Advisor

Custom Choice

Private Advisor Network(PAN)

Private Investment Management (PIM)

Allocation Advisors Program

Diversified Managed Allocations (DMA)

Masters Program

Wells Fargo Compass Advisory

Customized Portfolios Program

FundSource Program

This wrap fee program brochure provides information about the qualifications and business practices of Lara, May & Associates, LLC , (“LMA” or “Firm”) Member FINRA/SIPC. If you have any questions about the contents of this brochure, please contact us at 703-827-2300 or [information@laramayllc.com](mailto:information@laramayllc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

The complete ADV and additional information about LMA is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). LMA is a registered investment adviser with the SEC. The use of the terms “registered investment adviser” or “registered” by us does not imply by itself any level of skill or training. The advisory services described in this brochure are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation(FDIC), the Federal Reserve Board, or any other government agency and involve risk, including the possible loss of principal.

## Item 2 – Material Changes

This section will address only specific material changes that are made to the brochure and provide clients with a summary of such changes. It will also reference the date of the last annual update of this brochure. In the past, information about LMA's qualifications and business practices has been offered or delivered to clients on at least an annual basis. Pursuant to SEC rules, clients will receive a summary of any material changes to this and subsequent brochures within 120 days of the close of LMA's fiscal year end (12/31). Other ongoing disclosure information about material changes may be provided as necessary. A new Brochure will be provided as necessary based on changes or new information, at any time, without charge.

This Item discusses only the material changes that have occurred since the last annual amendment dated March 15, 2016:

- In July 2017, investment vehicles affiliated with Stone Point Capital LLC ("Stone Point") and Kohlberg Kravis Roberts & Co. L.P. ("KKR") each made an investment in Focus Financial Partners, LLC ("Focus"). This transaction resulted in certain funds managed by Stone Point collectively becoming a principal owner of Focus and the KKR investment vehicles collectively becoming a minority owner of Focus. Because LMA is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of LMA. (see Item 9);
- Expanded wrap program information for: Masters, Diversified Managed Allocations ("DMA"), Wells Fargo Compass Advisory, Allocation Advisors, Customized Portfolios, FundSource (see Item 4);
- Enhanced the description of our business as a dually-registered investment adviser and broker-dealer, and of our clearing agent, Wells Fargo Clearing Services, LLC, who conducts business as First Clearing (see Item 4);
- Included disclosure about Non-Investment Consulting/Implementation Services and that LMA and any persons affiliated with LMA who are registered, or are required to be registered, as Investment Adviser Representatives ("IAR") of LMA are not licensed tax or legal professionals (see Item 4);
- Specified that IARs may not receive brokerage product commission compensation and investment advisory compensation on the same assets. (see Item 4);
- Clarified that mutual funds that pay 12b-1 fees if allowed to be held in advisory account will be excluded from the program advisory fee calculation and will be considered additional compensation to the IAR (see Item 4);
- Expanded explanation of the cost of investing in mutual funds to remind advisory clients of the expense ratios associated with funds, alternative options for investing in funds and our practices regarding the lowest available share class expense ratio eligible for a respective account (see Item 4);
- Enhanced risk factor disclosures to describe the risks of ProShares Ultrashort 20+ Year Treasury ETF (TBT), an inverse, leveraged exchange-traded product, and the risks of options (see Item 6);
- Details how the firm monitors product wholesaler events and third party sponsorships (see Item 9);
- Provided further disclosures regarding Cash Sweep Vehicles and the financial benefits we receive (see Item 9);
- Provided further disclosures regarding rebates we receive as the broker/dealer from our clearing agent (see Item 9); and
- Enhanced our disclosures regarding our financial industry activities and associations (see Item 9);

We urge clients to review the entire Brochure. For any questions regarding the content of this Brochure, or to request a copy, please contact the Chief Compliance Officer at (703) 761-3907 or [information@laramayllc.com](mailto:information@laramayllc.com). This Brochure and additional information about LMA are available, both free of charge, via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about investment advisor representatives (IARs). FINRA offers BrokerCheck <https://brokercheck.finra.org/>, a free online tool to research the background and experience of financial brokers, advisers and firms.

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## Item 4 – Services, Fees and Compensation

### Services

The foundation of LMA began in 1981 with E. Ronald Lara, CFP®. On October 1, 2007 LMA became part of the Focus Financial Partners, LLC (“Focus”) partnership. Pursuant to a management agreement between LMA, Focus and LS Management, LLC (the “Management Company”), the Management Company has agreed to provide persons to serve as officers of LMA who, in such capacity, will be responsible for the management, supervision and oversight of LMA. The primary member of the Management Company is E. Ronald Lara, who is an executive of LMA. LMA’s Advisory assets on a non-discretionary basis are \$230 million and \$93 million on a discretionary basis as of 12/31/2016.

LMA is a dually registered, independent broker/dealer (Member FINRA/SIPC), registered with the Municipal Rule Making Board (“MSRB”) and a Registered Investment Advisor with the SEC. LMA provides investment supervisory and advisory services to its clients, including wealth management and comprehensive financial planning services. The services provided usually vary from client to client and from IAR to IAR. Typically services include client directed separate account management. IARs may recommend individual stocks, mutual funds, exchange-traded funds and other types of securities depending on the client situation, objectives and the IAR’s expertise. Some advisors offer discretionary account management built around models per account investment objectives. Advisors may provide personal and/or business planning, asset allocation, portfolio management, educational planning, advisory services for businesses and retirement planning. LMA may advise clients directly and/or recommend client utilize unaffiliated third party managers and/or sub-advisors. As LMA is also an insurance agency registered with various state Divisions of Insurance, IAR’s with proper insurance licensing may offer clients insurance products such as life, long-term care and variable annuity products, which have separate compensation in addition to any advisor program fees.

### Investment Supervisory and Advisory Services

As a dually registered broker/dealer LMA has a clearing agreement with First Clearing for the execution, clearance, settlement and custody of client assets. First Clearing is a trade name used by Wells Fargo Clearing Services, LLC, Member SIPC, a registered broker-dealer and non-bank affiliate of Wells Fargo & Company (“Clearing Agent”). LMA is not related to or affiliated with the Clearing Agent. Unless otherwise specified, the Clearing Agent will maintain custody of client assets. Clearing Agent qualifies as a “qualified custodian” as described by Rule 206(4)-2 of the Investment Advisers Act. We and the Clearing Agent each reserves the right to reject and not provide services to any client or any client account for any reason.

IARs provide recommendations and supervision for client’s investment advisory accounts. IARs provide ongoing management and advice regarding the investment of client funds based on the individual needs and suitability of the client. Through personal discussions and/or documentation a client’s particular circumstances, goals, profile and objectives are identified. IARs will make recommendations based on these factors and other information provided by the client. IARs may manage advisory accounts on a discretionary or nondiscretionary basis. Account supervision is guided by the stated objectives and risk tolerance of the client. Clients may impose restrictions regarding specific securities or types of securities and should bring these to the attention of their IAR.

LMA also offers specific comprehensive, planning processes: *The Lifetime Success Solution*® (“LSS”) and the *Retirement Success Solution*® (“RSS”). The Success Solutions are planning processes intended to identify an individual’s or a couple’s personal and lifestyle goals and develop strategies targeted to achieve them. Investment plans created in response to these goals are not guaranteed and are subject to market and investment risk. There is a possibility of principal loss, and no assurance of appreciation is made. The investment management plan and/or services provided may have separate charges or commissions and the investment products used may have separate expenses and fees associated with them. Please take time to read the respective account-related documentation,

agreements, and product material. *The Lifetime Success Solution*® and *The Retirement Success Solution*® are registered trademarks of E. Ronald Lara, Inc. and used with permission by Lara, May & Associates, LLC.

**Non-Discretionary Service Limitations.** Clients who determine to engage non-discretionary investment advisory basis must be willing to accept that the IAR cannot effect account transactions without obtaining prior verbal or written consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the IAR will be unable to effect account transactions (as they would for a discretionary client) without first obtaining the client's consent. If the IAR feels the authorized account holder's mental capacity is in question, they may request that a power of attorney relationship be established with a trusted individual of the account holder.

Among the fee based services that LMA offers, IARs provide analysis and recommendations with respect to various money managers in specified and model based investment strategies. IARs may recommend asset management services provided by an IAR as part of a wrap fee program or a non-affiliated portfolio manager. The wrap fee programs in which we participate are described in this brochure.

## **WRAP FEE PROGRAMS**

LMA sponsors several wrap fee programs at the Clearing Agent whereby the client pays one fee that includes the IAR advisory fees and custodial transaction charges– thus the term “wrap” as the fees are considered wrapped together into one annual fee percentage, paid quarterly. It is important to note that our investment advisory revenues for accounts held at the Clearing Agent are from these wrap fee programs. This includes programs where the IAR is the portfolio manager and has an agreement in place with the client for providing discretionary asset management responsibilities or a program that is client directed, meaning the client needs to provide consent for all trades recommended by the IAR. Please read the program agreements carefully as they provided details on the servicing of the account, what costs are included, what costs are excluded and fee billing details.

LMA has an agreement with Wells Fargo Advisors (“WFA”), a trade name used by Wells Fargo Clearing Services, LLC (“WFCS”), pursuant to which WFA provides advisory and/or other services with respect to the Programs custodied at the Clearing Agent, a non-bank affiliate of Wells Fargo & Company (“Wells Fargo”). Those clients electing to have their assets managed by an unaffiliated investment manager of LMA may participate in a variety of wrap fee programs offered by LMA. LMA is not related to or affiliated with WFA or the Clearing Agent. Unless otherwise specified, Clearing Agent will maintain custody of client assets. Clearing Agent qualifies as a “qualified custodian” as described by Rule 206(4)-2 of the Investment Advisers Act. WFA and Clearing Agent each reserves the right to reject and not provide services to any client or with respect to any client account for any reason. WFA provides advisory and other services to LMA and their Clients with respect to the following programs: Masters, Diversified Managed Allocations (“DMA”), Wells Fargo Compass Advisory, Allocation Advisors, Customized Portfolios, and FundSource. Please review the appropriate WFA Disclosure Documents for a complete description of each program. Information related to these programs can be found in both the LMA's and the respective manager's Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure.

## **Private Investment Management (“PIM”)**

With PIM, certain IARs (“Portfolio Managers”) provide investment advisory and brokerage services to your account on a discretionary basis. As a minimum criterion for providing advisory services, LMA requires our Portfolio Managers to possess satisfactory past business experience, plus any required industry examinations and registrations. Through a discretionary agreement, the Portfolio Manager will have discretion to manage your assets based on your investment objectives and individual needs. This could include your account being included in one of the objective models established by the Portfolio Manager.



PIM is based on both fundamental, quantitative research as well as other independent research and the experience of the Portfolio Manager. Individual PIM Portfolio Managers may develop specific investment strategies using a mix of analytic methods. They may also establish quality and concentration requirements to provide overall discipline. Such strategies ordinarily include long and short-term securities purchases and, depending on your objectives and the Portfolio Manager's investment philosophy, supplemental covered option writing. In special circumstances, the strategies may also include margin transactions, other option strategies and trading or short sale transactions.

Portfolio Managers may use third-party research to assist in developing security selection models for their PIM program. When seeking to anticipate trends and identify undervalued securities with sound fundamentals, Portfolio Managers may also use third party tools and resources to assist in the security selection and portfolio modeling process that incorporates fundamental, technical and statistical analyses of historical data. Due to any number of factors, including timing of deposits, investment selection process or investment needs, certain clients may receive different execution prices and investment results.

### **Asset Advisor**

Asset Advisor is a non-discretionary, client directed wrap fee investment program in which your IAR may provide a broad range of investment recommendations based on your investment objectives, financial circumstances and risk tolerance. You have the option of accepting these recommendations or declining the recommendation and selecting different investments for your account.

Most types of securities are eligible for purchase in an Asset Advisor account including, but not limited to, common and preferred stocks, ETFs, closed end funds, fee-based unit investment trusts, corporate and government bonds, certificates of deposit, options, structured products, certain mutual funds whose shares can be purchased at net asset value, and certain wrap class alternative investments, such as hedge funds and managed futures funds. Collectively, these are referred to as "Program Assets."

Hedge funds and managed futures are not suitable for all investors. Hedge funds are complex investment vehicles that often use leverage and other speculative investment practices, such as short sales, options, derivatives, futures and illiquid investments that may increase the risk of investment loss. Managed futures are speculative investments that are subject to a significant amount of risk. This Disclosure Document is not a solicitation, recommendation or invitation to invest in alternative investments and is intended solely to disclose the availability of alternative investments within Asset Advisor. Over time, your total expenses to own an alternative investment inside your investment advisory Account may be greater than the total expenses to own a similar alternative investment outside your investment advisory Account.

Certain assets, such as commodity futures contracts, options on such contracts, annuities, limited partnership interests, and mutual funds that cannot be purchased at net asset value are not eligible as Program Assets, and are referred to collectively as "Excluded Assets." You may purchase or sell Excluded Assets in your account, but these transactions will incur commissions or charges.

While new-issue CDs are an eligible Program Asset, the yield of new-issue CDs takes into account a sales concession in order to compensate the brokerage firms that sell the CDs. For certain advisory accounts, the underwriter retains this sales concession. Although LMA does not receive the sales concession, it has an impact on the overall yield paid to you. Since we charge an advisory fee on all eligible assets within an advisory Account, you are effectively charged both the sales concession (retained by the underwriter) and the advisory fee on the CD. These charges reduce the overall yield on the CD and in some cases this may result in a negative yield. You should be aware that you could obtain the same CDs without being subject to the advisory fee if you purchase it in a non-advisory brokerage Account.

An Asset Advisor account may not be used for market timing strategies or activities for mutual funds or any extreme trading activity that LMA or the Clearing Agent, in its sole discretion, deems detrimental to the interest of average fund shareholders or contrary to the policies or interest of mutual fund companies with whom LMA, or the Clearing Agent maintains relationships. LMA or the Clearing Agent, in its sole direction, or by direction of the fund company, reserves the right to reject any transactions or to assess a redemption fee for any partial or full liquidation execution in which the account trading appears to be inconsistent with the fund's prospectus. Furthermore, LMA will cooperate, when asked by a fund company, to aid in its attempt to identify and impede the efforts of IARs and investors engaging in market timing or extreme trading activity. If the fund company notifies LMA to reject or cancel a trade for any reason, LMA reserves the right to cancel such trade without prior notice to Client. LMA will not be held accountable for any losses resulting from market timing activities or any action taken under its market timing policies. In addition, the frequency of mutual fund transactions and exchanges is subject to any limits established by the mutual fund company and LMA.

### **Private Advisor Network("PAN")**

Through PAN your IAR will assist you in identifying an investment adviser to perform investment advisory services with respect to your assets. The IAR's services may include matching the personal and financial data you provide with a database of investment advisers, and providing reports to allow for periodic evaluation and comparison of account performance with objectives. The IAR will provide information on investment advisers that appear to meet your needs. Screening criteria may include the investment adviser's past track record, management style, location, size of account, etc. With the assistance of an IAR, you may then choose one or more investment advisers to manage your assets.

All accounts are managed on a discretionary basis by the independent investment adviser(s) selected by you. The IAR does not have discretionary trading authority with respect to such accounts. Information collected by LMA regarding PAN advisers is believed to be reliable and accurate but LMA does not necessarily independently verify it on all occasions. Neither LMA nor the IAR assumes responsibility for the conduct of investment advisers that clients select, including their performance or compliance with laws or regulations.

In addition to monthly and/or quarterly statements provided by the custodian, you will also be provided with quarterly portfolio performance reports. These may be available through your online account access or ask your IAR. Please note that:

- a) an adviser's past performance is no guarantee of future results;
- b) certain market and/or interest rate risk may adversely affect any adviser's objectives and strategies, and could cause a loss in your account; and
- c) risk parameter or comparative index selections provided for accounts are guidelines only; there is no guarantee that they will be met or exceeded.

Some managers may use covered calls or protective puts (or a combination of both) in your portfolio. Check with the manager or IAR to confirm the use of options.

Depending on the strategy implemented, covered calls may limit the upside potential of the securities held in your account. In certain instances, an option may be assigned and you may be required to sell securities, thus creating realized gains/losses.

The purchaser of a protective put runs the risk of losing the entire value of the purchased option as options become valueless upon expiration if they are not exercised or sold prior to expiration.

## **CustomChoice**

CustomChoice is a non-discretionary investment advisory program designed to help you allocate your assets among open-end mutual funds in accordance with your individual investment goals, objectives, and expectations. Based on your investment objectives and risk tolerance, your IAR will recommend an appropriate mix of various open-end mutual funds and money market funds.

You have the option of accepting any of our recommendations, or selecting an alternative combination of funds. We will implement your investment decisions, but will not have investment discretion over your account, except for the limited discretion to rebalance your target asset allocation, if you authorize us to do so. Over time, as changes occur in the financial markets and/or your investment objectives and circumstances, we may recommend changes in your portfolio. In making these recommendations, we will take the updated information into consideration. You are advised that your decisions relating to investments in mutual funds may have tax consequences that should be discussed with your tax professional.

In order to maintain your portfolio in accordance with your target asset allocation, you may authorize us to rebalance your Account using an automated rebalance trading system. You may select a quarterly, semi-annual or annual rebalance option.

### Non-Investment Consulting/Implementation Services

To the extent specifically requested by a client, LMA may provide limited consulting services regarding non-investment related matters, such as estate planning and tax sensitive planning. However, LMA and IARs are not licensed tax or legal professionals. Materials provided by LMA or an IAR are not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. Individuals should consult their personal tax or legal professional regarding any transactions that have tax consequences, tax filings, such that may be required for certain trusts, retirement and ERISA plans, and any tax- or legal-related investment decisions.

To the extent requested by a client, LMA may recommend the services of third party professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance specialists, etc.). The client is under no obligation to engage the services of any such recommended professional and those professionals may charge fees separate from the IAR of which the client will be responsible for. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the IAR. 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.

### Client Obligations

In performing its services, the IAR shall not be required to verify all information received from the client or from the client's other professionals, and is expressly authorized to rely thereon on the information provided (this is not referring to Customer Identity Policies). Moreover, each client/entity is advised that it remains his/her/its responsibility to promptly notify the IAR if there is ever any change in the information provided in the New Account form or Client Profile or material changes arise in his/her/its financial situation, risk tolerance, or investment objectives. Changes may require revising the IAR's previous recommendations and/or services.

## **Fees and Compensation**

You should be aware that program fees charged may be higher or lower than those otherwise available if you were to select a brokerage type account with trading /sales commissions applied instead of an annual advisory fee. LMA currently does not implement a firm wide fee schedule. Fees schedules may be recommended by the custodians and based on the services provided, the investments selected, the program agreement and/or the managers selected, asset level, industry standards, and are negotiated between the IAR and the client. You should consider the value of these advisory services when making such comparisons. The combination of custodial, advisory and brokerage



services may not be available separately or may require multiple accounts, documentation and fees. You should also consider the amount of anticipated trading activity when selecting among the programs and assessing the overall cost. Advisory programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings may result in higher fees than if commissions were paid separately for each transaction. All of the program accounts described in this brochure are charged a fee negotiated between the IAR and the client on eligible assets that covers advisory, account billing, performance reporting, execution, custodial, and reporting services. The typical fee ranges for each program are set forth below. If a minimum quarterly fee is applied it will be detailed in each of the Program agreements.

Clients will pay different fee annual percentages as IARs have different compensation structures. Most of the IARs work independently from one another and have their own style of services, fee plans and offerings. The fee percentage is typically based on a sliding scale depending on the total assets under management. As such, households with higher total assets under management, such as over \$1million, will likely pay a lower percentage annual fee respectively. IARs may offer their immediate family or related accounts a lower or no-fee option and/or choose to cover the costs themselves.

A portion of the fees charged for the programs described here may be paid to an IAR in connection with the introduction of accounts as well as for providing client-related services within the programs. This compensation may be more or less than an IAR would receive if you paid separately for investment advice, brokerage, and other services, and may vary depending on the program or services offered.

Fees for accounts at the Clearing Agent are calculated and deducted by the Clearing Agent from the respective account, or from an alternate account as provided, and applied in advance on a quarterly basis paid to LMA generally within the first ten business days of each succeeding calendar quarter in accordance with the billable asset value and fee calculation methodology in the Program Agreement. Client may direct LMA to debit fees from an alternate account, this election will continue until Client provides notice of revocation of this election. Please refer to the Program Agreement itself for more details regarding fee calculations. The program agreement must be signed by the client, IAR and an LMA principal. Should the account fee at a later date need to be changed, a Fee Schedule Change amendment must be completed and signed by the client, IAR and a Firm principal in order for the new fee to take effect. Typically, the effective date will be the date the Fee Schedule Change amendment is submitted to the custodian.

IARs may not receive brokerage product commission compensation and investment advisory compensation on the same assets. We realize however, the situation can occur when it would be advantageous for a client to hold a commission position in a fee-based account that is ineligible to be included in the managed account program. The *Asset Advisor* program is a client directed program managed by the IAR and may enable clients, as allowed by the custodian, to hold positions such as A, B or C open-end mutual fund share classes, or other commission positions that would be considered ineligible. Such a position will be coded by the custodian as a Non-Program asset and will be excluded from the performance reporting and billable asset value of the account program fee calculation. Other wrap programs and accounts managed by a third party manager may prohibit holding positions not selected and managed by the program or respective manager.

Unless otherwise agreed upon, you authorize us to deduct a quarterly fee calculated at the rate indicated in the Fee Schedule section of the Program agreement for that program from your account, in advance. For the purposes of calculating the Program fees, "Account Value" means the sum of the absolute market value of all eligible long and short security positions, including accrued income, cash and cash alternatives held in your Account. If your Account has short positions, the Account Value reflects the short positions' absolute value. A short position does not offset the value of long positions in the account... In valuing your Account, we will use the closing prices or, if

not available, bid prices of the last recorded transactions for listed securities, options and over-the-counter NASDAQ securities. For mutual funds, we will use the fund's most current Net Asset Value, as computed by the fund company. In doing so, we will use the information provided by quotation services believed to be reliable. If any such prices are unavailable or believed to be unreliable, we will determine prices in good faith so as to reflect our understanding of fair market value. Due to trade date or settlement date accounting, the treatment of accrued income and other factors, the Account Value used in the calculation of fees may differ from that shown on your monthly account statement and/or performance report.

The initial fee is calculated as of the date that the account is accepted into the program and covers the remainder of the calendar quarter. There may be a short delay between inception and initial transactions. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the value of the account on the last business day of the prior calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of the assets in your account during that period. Your account will be charged or refunded a prorated quarterly fee on any net additions or net withdrawals in the account during a month. Fees will be charged or refunded if the net addition or net withdrawal would generate a fee or refund of at least \$40 for that quarter. Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the assets in your Account, and LMA shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of your funds.

Whenever there are changes to the fee schedule, the schedule of charges previously in effect shall continue until the next billing cycle effective date.

**Before you invest in one of the following programs: Allocation Advisors, Diversified Managed Allocations (DMA), Masters Program, Private Advisor Network (PAN), Wells Fargo Compass Advisory Program, Customized Portfolios please refer to WFA's Wrap Fee Brochure for more information.**

## **ANNUAL FEE SCHEDULES**

Accounts are charged an all-inclusive/wrap fee on eligible positions that covers covering all investment advice, execution, consulting and custodial services. Fees are billed quarterly in advance. Fees are based on the eligible assets in the account, including cash. The program wrap fee does not cover the internal expenses of exchange traded funds, closed-end funds or mutual funds held in an account.

### **Asset Advisor**

Asset Advisor is a comprehensive, non-discretionary investment advisory program that includes advisory services and custodial/transaction costs in a single asset-based fee. With Asset Advisor, the client ultimately makes the investment decisions regarding what to buy, sell and hold within the account. Account minimum of \$25,000. Annual fee typically ranges from 1.00-2.00%, as negotiated with the IAR.

### **Private Investment Management (PIM\*)**

A discretionary program where the IAR is the portfolio manager. PIM is offered to Financial Advisors with prior portfolio management experience and allows them to manage portfolios based on their own personal investment styles. Asset allocation and securities selection are determined by the IAR in conjunction with client objectives. The standard PIM fee schedule is based on program eligible assets. The minimum annual account fee is \$360, account minimum of \$50,000. Annual fee typically ranges from 1.00-2.00%, as negotiated with the IAR.

### **Private Advisor Network (PAN) Fee Schedule**

Separately managed account, dual contract program with access to over 300 professional money managers, and flexibility to assist clients with pre-existing money manager relationships. There is a minimum quarterly fee of \$375. Account minimum of \$100,000, subject to Manager's minimum. Annual fee typically ranges from 1.00-2.05%, as negotiated with the IAR and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure.

### **CustomChoice**

A non-discretionary client directed advisory program that allows clients to construct their own asset allocation. Allocation can be constructed from a broad universe of institutional share class, no-load and load-waived mutual funds. This program can help clients maintain their strategic asset allocation by offering auto-rebalancing. Account minimum of \$25,000. Annual fee typically ranges from 1.00-2.00%, as negotiated with the IAR.

### **Allocation Advisors**

This is a professionally managed portfolios with strategic, tactical, cyclical and global asset allocation, investing primarily in ETFs. Offers diversification and cost benefits traditionally associated with indexing. Annual fee typically ranges from 1.00-2.25%, as negotiated with the IAR and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. There is a minimum quarterly client fee requirement of \$125. The minimum account size for the portfolios offered in the Allocation Advisors Program range from \$25,000 to \$50,000, depending on the portfolio model.

### **Diversified Managed Allocations (DMA)**

Actively managed portfolio of separate account managers featuring asset allocation, diversification, and risk-based portfolio management. Ongoing due diligence of investment managers and Optimal Blends. Objective advice, strategic asset allocations, and rebalancing. Offers the simplicity of one account – multiple managers. Automatic manager replacement. Annual fee typically ranges from 1.00-2.55%, as negotiated with the IAR and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. There is a minimum quarterly fee of \$375. For Accounts opened prior to October 30, 2015, the minimum quarterly fee is \$500. Minimum investment of \$100,000 - \$250,000, depending on portfolio minimum.

### **Masters**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to a Masters account. IAR will recommend respective sub managers under this program as part of the Investment Advisory Business mentioned in Item 4 herein. Annual fee typically ranges from 1.00-2.50%, as negotiated with the IAR and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. There is a minimum quarterly fee of \$375. The minimum account size for Masters is \$100,000, and may be subject to manager minimums.

### **Wells Fargo Compass Advisory**

Managed by Wells Fargo Advisors, this program offers clients a portfolio of individual stocks, bonds and ETFs managed by WFA professionals. Various strategies are offered and the account minimum ranges from \$25,000 to \$250,000 depending on the strategy selected. Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and fee information applicable to Wells Fargo Compass Advisory accounts. Annual fee typically ranges from 1.00-2.25%, as negotiated with the IAR and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure.

## **Customized Portfolios**

Customized Portfolios is a separate account management program that provides tailored fixed income, global dividend, social impact and options overlay strategies in which guidance and expertise is provided by Wells Fargo Fixed Income Strategies Team. Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and fee information applicable to Customized Portfolios accounts. Annual fee typically ranges from 1.00-2.50%, as negotiated with the IAR and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. There is a minimum quarterly fee of \$250 for all strategies. The minimum account size ranges from \$50,000 to \$3,000,000, depending on the strategy.

## **Fund Source/FundSource Foundations<sup>SM</sup>**

Discretionary mutual fund advisory program offering 47 Optimal Blend fund portfolios actively managed by Well Fargo Investment Institute or 10 Pathways® Blend portfolios actively managed by Russell Investments. The portfolios are constructed of load-waived, no-load and institutional share class mutual funds. IAR's can also create a tailored allocation for clients using the Well Fargo Investment Institute's recommended funds in FundSource Customized Blends. Both Optimal and Customized Blends offer automatic fund replacement as well as auto-rebalancing. The Account minimum is \$10,000 for FundSource Foundations<sup>SM</sup> model portfolios and \$25,000 for all other FundSource model portfolios. Annual fee typically ranges from 1.00-2.00%, as negotiated with the IAR and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure.

## **Envestnet Asset Management**

The platform manager of Envestnet Asset Management, Inc. offer access to modeling separate account management. Through this program the IAR and platform manager will manage the program assets with the goal of meeting the objective as set forth in the document titled *Statement of Investment Selection* generated by Envestnet. Envestnet implements and places trade orders for this identified investment strategy pursuant to a licensing agreement with the respective money manager (model provider). The client pays an annual fee, based on the percentage of assets under management, which includes the Envestnet fee, IAR fee and custodial trading transaction charges through Clearing Agent.

For accounts managed by Envestnet, fees will be calculated by Envestnet, submitted by LMA to the Clearing Agent and the Clearing Agent will deduct the fees directly from the account. Client understands that, as fees under the Program include, among other things, compensation for non-discretionary advisory services, they may be higher than certain other advisory and brokerage fee arrangements. Please refer to the "Fees" section of the Program and manager agreements for calculation and fee payment details. Annual fee typically ranges from 1.00-2.00%, as negotiated with the IAR.

## **Fees and Compensation – Additional Information**

### **12b-1 Fees**

Our IARs who are also registered representatives of LMA's broker-dealer receive 12b-1 fees for mutual funds purchased for you in brokerage accounts. This is a conflict of interest because it could incentivize the recommendation of securities purchases based on compensation received, rather than a client's needs. However, the IARs will not receive brokerage product commission compensation and investment advisory compensation on the same assets. In situations where we believe it is in the best interest of our advisory clients to purchase mutual funds that are only available to us in a share class that imposes 12b-1 fees, we will either hold the position in a brokerage account or exclude the value of those assets from our billing in fee-based accounts.

### **Other Account Fees**

The wrap fee does not include transfer taxes, exchange fees, execution fees (foreign and/or domestic) when applicable, American Depository Receipts ("ADRs") custodial pass through fees, foreign financial transaction taxes when applicable, and any other fees required by law. Cash balances in an Account may be invested in money market

mutual funds including, as permitted by law, those with which we have agreements to provide advisory, administrative, distribution, and other services and for which we receive compensation for the services rendered. As a shareholder of a money market fund, in addition to fees you pay under this Program, you will bear a proportionate share of the money market fund's expenses. In a low interest rate environment, the yield that you earn on cash and cash alternatives, including cash sweep funds, CDs and money market funds may not offset advisory fees. In some instances, the effective yield of the investment may in fact be negative.

If you invest in foreign stocks or ADR, you may be subject to foreign tax withholding on the dividends paid or interest earned. An ADR represents underlying shares of a foreign corporation which are held and issued by a U.S. bank. While ADRs are traded on U.S. markets, the income and tax withholding are subject to the rules and regulation of the foreign tax authorities with jurisdiction over the underlying corporation. When dividends or interest is paid to investors on foreign securities, the tax authorities for that country may require the payor to withhold taxes for certain foreign investors. This can negatively impact the rate of return on your investment. U.S. clients may be eligible to reclaim a portion of foreign taxes that are withheld and/or receive a preferential foreign tax rate on foreign securities by filing specific tax forms seeking such relief. We do not provide tax advice. Please consult your tax advisor for specific information on foreign tax withholding, your eligibility to reclaim a portion of taxes withheld and/or receiving a preferential foreign tax rate and the costs associated with these filings.

Non-brokerage-related fees, such as IRA fees, are not included in the wrap fee and may be charged to your account separately. Your IAR may suggest that you use other products and services that LMA offers, but that are not available through the program you select ("Excluded Assets"). Excluded Assets are not charged a program fee and are not considered a part of the program or program services. We generally recommend that you hold these Excluded Assets in a separate brokerage account. If an excluded fund purchased for or transferred into your account later becomes eligible for the program, program fees will apply to that fund and it may become subject to the rebalance trading system. You will incur any usual and customary brokerage charges and fees imposed on transactions in Excluded Assets which may include (i) any dealer markups and odd lot differentials and transfer taxes; (ii) charges imposed by broker-dealers and custodians other than WFA and its affiliates and fees for other products and services that we and our affiliates may offer; (iii) offering discounts, commissions and related fees in connection with underwritten public offerings of securities; (iv) margin interest and operational fees and charges; (v) IRA fees; and (vi) any redemption fees, exchange fees and or similar fees (among which SEC fees are included) imposed in connection with mutual fund transactions whereby LMA or your IAR may receive additional compensation on these Excluded Assets.

### **Costs of Investing in Mutual Funds**

In addition to the LMA program and manager fees, as a shareholder of an open end mutual fund, closed-end fund or exchange traded fund ("ETF"), you will bear a proportionate share of the fund's investment management fees and expenses. Mutual fund fees and expenses, including asset-based sales charges known as "12b-1 fees," vary based on the share class that is offered. Typically, clients who purchase open-end mutual funds under one of our fee-based programs are able to purchase lower expense share classes that do not impose 12b-1 fees. Clients who purchase open-end mutual funds in other types of accounts at LMA, such as a brokerage or non-wrap fee based accounts, typically must purchase a share class that imposes a higher fee and expense structure, including 12b-1 fees. As a result, some clients may be able to purchase the lowest expense ratio advisory or institutional share class, while others may only purchase a non-advisory or commission share class. For more information about the respective share class offerings and their fee and expense structure, please refer to the fund's prospectus and account agreement.

You should be aware that you may be able to invest in money market funds, mutual funds or ETFs directly with the fund company or through a brokerage account at LMA without incurring the fee charged for participation in a



wrap fee program. In addition, certain institutional investors may directly purchase a class of shares of certain funds that do not charge shareholder services, sub-accounting or other related fees. If you do, however, you will not receive the various program services provided under the program agreement and service and some mutual funds may impose a sales load on direct investments. You will receive a prospectus for each fund purchased, as required by securities regulations.

In the Asset Advisor and CustomChoice wrap programs, where by an IAR is recommending and trading open end mutual funds it is the IAR's practice to utilize the Advisory Share Class Finder Tool to determine the eligible share class with the lowest expense ratio allowable by the custodian, fund company and Program guidelines. Such share classes are referred to as "institutional" or "advisory" ("advisory share class"). When an advisory share class with a lower expense ratio is made available to the program, existing advisory share class positions will automatically convert at a designated time to the lower expense ratio share class. During the conversion process, usually 5 – 7 business days, trading will not be allowed in the affected positions. However, non-advisory share class holdings transferring into an account will need to be manually converted. If converting an A share, the client is not eligible to convert shares if they have paid a load in the past 13 months. If converting a C share, any Contingent Deferred Sales Charge (CDSC) period must have expired before the request can be effected. For more information about fund holdings and the respective share classes offerings please refer to the fund's prospectus.

Fund companies have minimum dollar investment levels that certain managers are eligible for in separately managed accounts. In other types of accounts at LMA, such as a brokerage and fee based programs managed or sponsored by a third party, other share classes may be used and will have varying fees, expenses and sales charges as offered by the fund companies and allowed for in the account. As a result, some clients may be able to purchase a lower expense ratio share class, while others may only purchase a non-advisory or commission share class.

### **Account Termination**

Your account agreement may be terminated by either party at any time upon written notice. If you terminate your Agreement, a pro rata refund will be made, less reasonable start-up costs. You have the right, within five (5) days of execution, to terminate the Client Agreement without penalty. In the event of cancellation of Client Agreements, fees previously paid pursuant to the fee schedule will be refunded on a pro rata basis, as of the date notice of such cancellation is received by the non-canceling party, less reasonable start-up costs.

If you choose to terminate your agreement with any of our investment advisory programs, the IAR can liquidate your account if instructed to do so. If so instructed, the IAR will liquidate your account in an orderly and efficient manner. LMA does not charge for such redemptions; however, you should be aware that certain mutual funds impose redemption fees as stated in their fund prospectus. You should also keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with your tax advisor.

LMA will not be responsible for market fluctuations in your account from the time of notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner. Factors that may affect the orderly and efficient liquidation of an account might be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate an advisory account, termination orders cannot be considered market orders. It may take several business days under normal market conditions to process your request.

If a program account is terminated, but you maintain a brokerage account with us, the money market fund used in a "sweep" arrangement may be changed and/or your shares may be exchanged for shares of another series of the same fund. You will bear a proportionate share of the money market fund's fees and expenses. You are subject to

the customary brokerage charges for any securities positions sold in your account after the termination of program services.

## Item 5 – Account Requirements and Types of Clients

LMA offers wealth management and financial planning services to individuals, high net worth individuals, homeowner associations, businesses, corporate pension and profit-sharing plans, ERISA plans, charitable institutions, foundations, endowments, and trusts. LMA does not establish a Firm wide minimum asset requirement for opening an account. However, each IAR may set their own client account minimums and each custodian has account/program value thresholds that may trigger additional fees for low account balances or inactive accounts. To participate in a program through our Clearing Agent clients must generally have a minimum account size for each separate account of \$25,000 or \$50,000 per investment style.

Program Name	Minimum Account Size
Masters – <i>subject to Manager's minimum</i>	\$100,000
Compass Program - <i>dependent on strategy</i>	\$50,000 - \$250,000
FundSource - <i>may vary by IRA/FundSource Foundations<sup>SM</sup></i>	\$25,000/\$10,000
CustomChoice - <i>may vary by IRA</i>	\$25,000
Allocation Advisors - <i>dependent on strategy</i>	\$25,000 - \$50,000
Asset Advisor	\$25,000
Private Investment Management (PIM)	\$50,000
Customized Portfolios - <i>dependent on strategy</i>	\$50,000 - \$3,000,000
Private Advisor Network (PAN) - <i>subject to Manager's minimum</i>	\$100,000

Under certain circumstances the minimum initial investment required to participate in a Program may be waived. Advisory Programs are also available to clients held at other custodians. Refer to LMA's ADV Part 2A Brochure for more information.

## Item 6 – Portfolio Manager Selection and Evaluation

We choose our Clearing Agent's platform, program offerings and WFA for portfolio management and advisory services with respect to certain unaffiliated wrap fee programs. WFA is a non-bank affiliate of Wells Fargo & Company that provides advisory services, asset management, brokerage services, estate planning strategies, retirement planning, portfolio analysis and monitoring and other financial services.

After extensive review, we selected WFA to provide these services to our clients as we feel the suite of wrap programs, research and due diligence capabilities and the extensive manager list they offer are best suited to meet our clients' needs. As part of our agreement with WFA, we outsource the due diligence of the outside managers participating in the unaffiliated wrap program to their investment professionals. However, each IAR will conduct their own independent research and review of the respective manager to assess the manager's suitability for the individual client that is recommended. This research may involve all or a combination of utilizing reputable third party research reports and rating services (such as Morningstar), publications about the managers available through the Clearing Agent, performance history, portfolio holdings, investment philosophy, commentary provided by the manager, the IAR's own experienced, and prospectus materials.

While the wrap fee programs under WFA are responsible for providing performance reporting to any of our clients invested in the plans they offer, IARs may perform semi-annual or annual reviews of client accounts to review if the portfolios are in alignment with outlined investment objectives. During these reviews the IAR evaluate a portfolio's performance relative to its benchmark and if the account is meeting the investment objectives.

### Methods of Analysis

Investing in securities involves risk of loss that clients should be prepared to bear. IARs create an investment plan based on the client's unique needs and circumstances. This may include recommending a certain model portfolio or individualized holdings. As part of this process, IARs consider several factors when developing investment strategies and analyzing specific securities, categories, products or types of investment vehicles. IARs are able to conduct their analysis independently and based on their unique expertise, knowledge, experience and style. Generally, methods of analysis used by IARs are: industry research reports, access to subscription ranking and reporting services, public reports, facts sheets, product material produced by the investment company, discussions with product providers, trade shows, and industry events. However, the IARs also use their own familiarity, education and comfort level with a product. They may have experiences with a certain product company that was favorable or not and this could affect their overall opinion. It is unrealistic to expect the IAR to have in-depth knowledge regarding every investment product available on the market.

### Investment Strategies and Due Diligence

Each IAR at LMA has developed their own areas of expertise and has individual style preferences. In general, the more the IAR knows about the client, the better job they can do. As an independent firm, LMA's IARs are able to search the marketplace for available products and services. LMA has an extensive list of selling agreements and established relationships to provide clients with a variety of investment vehicles to address their needs. If there is interest in a product that is not offered through one of our custodian's or a third party sub-manager, it may require LMA to enter into a selling agreement. If not for a specific client, the product and the company/manager must be reviewed and approved by the LMA Investment & Risk Management Committee ("Committee"). The Committee is comprised of members from the LMA management team, Operations, Accounting, Compliance and a selection of IARs. The Committee collaborates to conduct due diligence and to review product details to the best of their ability and knowledge, and determine if it should be offered to clients at LMA, and if so, if any restrictions are to be made. LMA typically does not engage the services of outside council or other third party services when reviewing new products through the Committee. However, we prefer to use the research services of entities experienced in the due diligence process when available.

Through the PIM Program, IAR may serve as a client's portfolio manager. Through PIM, IARs with previous portfolio management experience, trading system training, and if requested by LMA, additionally portfolio management training are able to provide discretionary asset management services to our clients. Through PIM, the IAR is able to offer clients a separately managed account in accordance with their management philosophy as described under Item 4 herein.

As a result of this arrangement, we have determined two potential conflicts that could arise:

1. The occurrence of front running or trading ahead, whereby an IAR could enter an order with the knowledge that a pending order that has not yet been entered or executed and thus may affect the market price of the security in question.
2. The IAR recommending the wrap fee program will receive compensation as a result of the client's participation in the program. The amount of this compensation may be more than what the IAR would receive if the client participated in another program or paid separately for investment advice, brokerage, and other services. The IAR, therefore, may have a financial incentive to recommend the wrap fee program over other programs or services. The IAR's compensation also varies in connection with each wrap program.

To mitigate and manage these risks, we employ the following practices:

1. LMA has a Code of Ethics, which sets forth certain minimum expectations that we have for IARs. As detailed in this manual, employees may not engage in front running or trading ahead on their own behalf or on behalf of any customer or other person. We are committed to maintaining the highest standards of professional conduct and ethics in order to discharge our legal obligations to our clients, to protect our business reputation, and to avoid even the appearance of impropriety in our investment activities on behalf of clients. We have strict controls in place – such as discretionary block trading practices to average price a trade across multiple accounts - to prevent and monitor this behavior. All personnel, regardless of role, are expected to conduct the Firm's business in full compliance with both the letter and the spirit of the law, and any other policies and procedures that may be applicable.
2. The fee charged by the IAR is negotiated between the client and the IAR. While the Clearing Agent has a recommended fee schedule in place, the IAR is able to set their own fees based on the individual services provided to the client and the nature of the relationship. Under the wrap programs there are underlying costs that are covered by the client's annual fee. These costs include the IAR's fee, sub-manager(s) fee (if selected), custodial and trading costs. The costs vary depending on the program selected. Minimum quarterly fees also apply. Therefore the compensation to the IAR could vary depending on the program selected. The factors that could affect the recommendation for one program over another are vast. These can include; the account asset level, investment objective, liquidity needs, other holdings, diversification need, investor risk tolerance, investment restrictions or beliefs, market outlook, IAR's business model, and manager restrictions. We recommend the client discuss any concerns for a program recommendation or IAR discretionary program. LMA has procedures in place to monitor and restrict questionable influence by outside third parties, such as fund companies and product sponsors.

### **Performance Based Fee**

LMA does not charge performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

### **Voting Client Securities**

As a matter of Firm policy and practice, IARs do not have the authority to vote proxies on behalf of clients. Either the respective third party discretionary portfolio manager or the client may be designated to vote proxies.

### **Risks**

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 LMA) will be profitable or equal any specific performance level(s).

#### *Capital Risk*

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

#### *Credit Risk*

Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, a client can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

### *Currency Risk*

Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment owned, currency risk is a realistic risk measure. Currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, Euro, Japanese yen, etc.).

### *Economic Risk*

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are dependent on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

### *Financial Risk*

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Lehman Brothers and Enron or many of the “dot com” companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

### *Higher Trading Costs*

For any investment or strategy that involves active or frequent trading, you may experience higher than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

### *Inflation Risk*

Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

### *Interest Rate Risk*

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once a client has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market could affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. Likewise, the reverse is generally true as well.

### *Legal/Regulatory Risk*

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.



### *Liquidity Risk*

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

### *Margin Risk*

- You can lose more funds than you deposit in a margin account. A decline in value of securities that are purchased on margin may require you to provide additional funds to the custodian holding your margin account in order to avoid a forced sale of those securities or other securities in your account.
- The custodian holding your margin account can force the sale of securities in your margin account. If the equity in your account falls below the margin maintenance level required by law or below the custodian's "house" requirement, the custodian can sell the securities in your account to cover the margin deficiency. You will be responsible for any shortfall in the account after such sale.
- Securities can be sold without contacting you prior to sale. Some clients mistakenly believe they must be contacted before a margin call becomes valid and that securities in their accounts cannot be liquidated to meet the call unless they have been contacted ahead of time. Most firms will attempt to notify you of margin calls; however, they are not required to do so. Even if the custodian has contacted you to provide a specific date by which you can meet a margin call, the custodian can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to you.
- Unless you promptly respond to a notice call and direct your IAR which security to sell, you are not entitled to choose which securities in your margin account are liquidated or sold to meet your margin call. Because the securities are used as collateral for the margin loan, the custodian of your account has the right to decide which securities to sell in order to protect its interests.
- The custodian can increase its "house" maintenance requirements at any time and is not required to provide you with advance, written notice. These changes in policy can take effect immediately and may result in the issuance of a margin maintenance call. Your failure to satisfy this call may cause a forced liquidation in your account.
- You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have the right to the extension.

### *Market Risk*

The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment instrument or the underlying assets or other instruments held by or traded within that investment instrument.

### *Operational Risk*

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies,

system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

#### *Past Performance*

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis frequently involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, clients should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer.

#### *Strategy Risk*

There is no guarantee that the investment strategies discussed in this document will work under all market conditions and you should evaluate your ability to maintain any investment you are considering in light of your own investment time horizon. Investments are subject to risk, including possible loss of principal.

#### *Investment-specific Risks*

There is no single type of investment instrument that one can predominantly recommend, however, please be mindful that all investments carry some form and degree of risk. Certain types of investments carry greater types and levels of risk than others and clients should make sure that they fully understand not only the investment product itself but also the inherent risk factors associated with such products.

#### *ProShares UltraShort 20+ Year Treasury (TBT)*

TBT is a leveraged and inverse exchange-traded product ("ETP"). ETPs are subject to market volatility and the risks of their underlying securities. Fixed income ETPs carry risks similar to those of bonds, including interest rate risk (as interest rates rise bond prices usually fall, and vice versa), issuer or counterparty default risk, issuer credit risk, inflation risk and call risk. Unlike individual bonds, many fixed income ETPs do not have a maturity date, so a strategy of holding a fixed income security until maturity to try to avoid losses associated with bond price volatility is not possible with those types of ETPs. ETPs which use derivatives, leverage, or complex investment strategies are subject to additional risks. TBT entails unique risks and is intended for sophisticated investors. As an inverse ETP, TBT attempts to mimic the opposite of the performance of its stated benchmark. As a leveraged ETP, TBT seeks to generate a return that is a multiple of its benchmark index's performance. The use of leverage generally increases risk, as it magnifies potential losses.

TBT has a single day investment objective, and the Fund's performance for periods greater than a single day will be the result of each day's returns compounded over the period, which is likely to be either better or worse than the index performance times the stated multiple in the Fund's investment objective, before accounting for fees and expenses. Compounding affects all investments, but has a more significant impact on an inverse leveraged fund. Particularly during periods of higher index volatility, compounding will cause results of periods longer than a single day to vary from two times the inverse (-2x) of the return of the index. For leveraged fund investors, it is particularly important to understand that the effect of compounding on leveraged funds is significantly magnified and can cause gains and losses to occur much faster and to a greater degree. This effect becomes more pronounced as the volatility increases.

Investors should, therefore, monitor their holdings consistent with their strategies, as frequently as daily.

**Carefully consider the investment objectives, risks, charges and expenses of a leveraged fund before investing. This and other information can be found in the summary and full prospectuses.**

### *Risks Related to Options*

- *Call Options.* The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the Securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.
- *Put Options.* The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.
- *Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether the investor will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.
- *Time Decay*- All options have some kind of time value factored in to them, and typically the longer they have until expiration the higher that time value is. Therefore, options will always be losing some of their value as time goes on. Of course, this doesn't mean that they always go down in value, but time decay can negatively impact the value of any option that is held onto.
- *Liquidity*- Because there are so many different types of options, it's quite possible that any particular option might only be traded in very low volume. This can make it difficult to make the required trades at the right prices.

The Characteristics and Risks of Standardized Options booklet and supplements are written and published by The Options Clearing Corporation, and must be read by an investor prior to buying or selling options contracts. This booklet explains the purposes and risks of options transactions. You are encouraged to learn more about options at <http://www.cboe.com>. The booklet and supplements are offered free of charge and may be requested by asking your IAR or contacting Compliance at 7600 Leesburg Pike, Suite 120 East, Falls Church, VA 22043 or email [information@laramayllc.com](mailto:information@laramayllc.com)

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

In order to serve our clients and conduct day-to-day services with product vendors, we need to share non-public personal information in the normal conduct of our business with affiliates and with companies not affiliated with us. Updated client information received by us is shared in a timely manner with outside vendors as necessary. These updates are often provided daily. We may share a client's personal information in order to process transactions, maintain accounts(s), and offer our products and services. This sharing allows us to provide better and more

complete investment and strategic advice and comply with legal and regulatory requirements. When we share information with companies not affiliated with us who are under contract to perform services on our behalf, such as vendors that provide services directly related to an account's relationship with us, our agreements with these companies require that they keep client information confidential and not use such information for any unrelated purpose or they have privacy policies that restrict how they use the information visible to them. We may share non-public personal information if required to respond to court orders and legal investigations. All clients must provide information on their investment objectives, financial circumstances, risk tolerance and any restrictions they may wish to impose on investment activities. You agree to inform us in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested. Your IAR will be reasonably available to you for consultation on these matters, and will act on any changes in your Profile deemed to be material or appropriate as soon as practical after we become aware of the change.

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

Your contact for information and consultation regarding your program accounts is your IAR. In certain instances, your IAR may coordinate a response with a third party Portfolio Manager (if applicable) or arrange for you to consult directly with a third party Portfolio Manager.

## **Item 9 – Additional Information**

### **Disciplinary Information**

The firm and its employees have not been involved in any legal, financial or other "disciplinary" events that would be material to our clients when evaluating us to initiate a Client/Adviser relationship or to continue a Client/Adviser relationship with us.

### **Other Financial Industry Activities and Affiliations**

#### **Broker/Dealer** (other business activity)

LMA is also a fully disclosed, introducing broker/dealer (Member FINRA/SIPC). Many IARs are also registered with FINRA and the applicable states as broker agents. The Management Person, Mr. Lara, is also a broker agent. Broker agents may only execute securities transactions for residents of states in which they are registered or are exempt from registration. Broker agents typically receive compensation in the way of commissions for effecting transactions in brokerage accounts and/or for selling commission based products, some examples are: 529 plans, variable annuities, subscription based investment (non-traded REIT).

#### *Fee based vs. Commission*

As dually registered, IARs may be able to offer clients both brokerage and investment advisory services. Clients should consider the type of investment plan they wish to establish. For some situations, one fee structure and arrangement may be more beneficial over the other (fee based vs. brokerage). An account with a 'buy and hold' strategy may cost the client less if established as a brokerage account where the client pays a broker commission and custodial transactional costs on trades in that account. The expectation is that there should be little trading in the account, thus lower costs. However, if a client wishes to utilize financial planning, ongoing review and monitoring, rebalancing of investments and periodic changes, a fee- based program may be more suitable. Clients are encouraged to discuss these options with their IAR.

### *What is a commission/brokerage relationship?*

Most of the IARs are also broker/dealer representatives (“broker”). Then a broker acts in a brokerage capacity, he/she does not enter into a fiduciary relationship with the client. For example, in a brokerage relationship, the broker learns the essential facts about the client and offers suitable recommendations at the time the recommendation is given. When acting as a broker, the primary service provided is the trading capabilities for the client’s account. The broker earns a commission for the transaction or sale of a brokerage product. The client directs all trading in his/her brokerage account. With this type of account, the broker may also provide recommendations to buy, sell, or hold assets in the account. It is the client’s obligation to accept or reject any of these recommendations. Clients may view broker/dealer firm and individual reports through FINRA’s BrokerCheck at [www.finra.org](http://www.finra.org).

### *What is a fee based/ investment advisory relationship?*

When the IAR acts as an investment advisor representative (“IAR”), his/her primary service is investment advice and/or management of the client’s assets. Typically these services are paid for per an annual fee as outlined in an investment management agreement. As an investment advisory client, the IAR has a fiduciary duty, in accordance with the Investment Advisors Act of 1940, which means that the IAR must act in the client’s best interest. In addition, the IAR must make full and fair disclosure of all material facts, especially potential conflicts of interest, and place the client’s interests before their own. The following are other obligations associated with a fiduciary duty to have a reasonable, independent basis for investment advice, to acquire the best execution possible for client trades when they are responsible for placing account trades, that investment advice is suited to the client’s account investment objectives, needs and circumstances, and to not give one client an unfair advantage in relation to another. To assist in communicating this information to clients, LMA provides a disclosure document, such as this ADV brochure, describing the services LMA offers, fees, risks, affiliations and any conflicts between LMA’s interests and the clients’ as well as the business backgrounds of key personnel. The 2B Supplement to the ADV brochure discloses information about the specific IAR.

A portion of the fees or commissions charged for the Programs described here will be paid to our IARs in connection with the introduction of Accounts as well as for providing client-related services within the Programs. This compensation may be more or less than an IAR would receive if you paid separately for investment advice, brokerage, and other services, and may vary, depending on the program or services offered. If a IAR wishes to discount the Program Fee below certain levels, they may have the ability to do so, but may earn reduced compensation associated with the discount. This creates an incentive for IARs to price accounts at or above those levels. In an advisory Account, you pay a fee based on the percentage of assets in your Account in accordance with an investment advisory Program agreement. Certain advisory Programs may have higher total fees than other advisory Programs based on a number of factors including, but not limited to, management fees, and administrative fees. A conflict of interest exists to the extent that we have a financial incentive to recommend a particular advisory Program that results in additional or greater compensation to us.

### **Insurance Agency** (other business activity)

LMA is also an insurance agency. Many IARs are also licensed insurance agents. LMA insurance agents may offer insurance products that have a selling agreement with LMA and which proper carrier appointments, educational and applicable state licensing requirements have been met. An insurance agent may receive commissions from the insurance company for products sold. The insurance commissions received are in addition to broker agent trading commissions for securities bought or sold or investment advisor fees earned as part of any other service at LMA.

The recommendation by an LMA representative that a client purchase a security or insurance commission product sold by an IAR 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. However it is part of the LMA's culture and policies that a recommendation should be based on the needs and suitability for the client, not on the compensation received by the representative. No client is under any obligation to purchase any security or insurance product from LMA and/or its representatives. Clients are reminded that they may purchase securities and insurance products recommended by LMA through other, non-affiliated broker-dealer and/or insurance agency.

**Continuing Education Provider** (other business activity)

LMA may offer continuing education seminars for certified public accountants (CPAs). Educational presentations that comply with the applicable state criteria are occasionally held for CPAs attendance and qualify for the respective number of continuing education credits toward their CPA designation. LMA does not charge a fee for these services. CPAs could refer their clients to LMA for LMA services.

**Industry Affiliations**

LMA is part of the Focus Financial Partners, LLC ("Focus") network. As such, LMA is a wholly-owned subsidiary of Focus Operating, LLC, which is a wholly-owned subsidiary of Focus Financial Partners, LLC. Focus also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, and other financial service firms (the "Focus Partners"), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

In July 2017, investment vehicles affiliated with Stone Point Capital LLC ("Stone Point") and Kohlberg Kravis Roberts & Co. L.P. ("KKR") each made an investment in Focus Financial Partners, LLC ("Focus"). This transaction resulted in certain funds managed by Stone Point collectively becoming a principal owner of Focus and the KKR investment vehicles collectively becoming a minority owner in Focus. Because LMA is an indirect, wholly-owned subsidiary of Focus, the Stone Point and KKR investment vehicles are indirect owners of LMA.

LMA clients are not solicited to invest in another Focus Partners' advisory services, and generally Focus Partners do not recommend securities, services, or other investment products of other Focus Partners, unless so disclosed on their respective Form ADVs and with the clients' informed consent, nor are any transactions executed through another Focus Partners' affiliated broker dealer. Further, the Focus Partners do not market their services or share client information amongst each other without prior client consent. Management personnel of other Focus Partners is not involved in the management of LMA.

LMA's parent company is Focus. From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include LMA other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including LMA. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including LMA. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause LMA to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including LMA. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement. The following

entities have provided conference sponsorship to Focus in the last year: Fidelity Brokerage Services, J.P. Morgan Asset Management, Charles G. Schwab & Co., and Lord Abbett & Co.

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

For purposes of this section the definition of “Access Person” means: any supervised persons who: (1) has access to nonpublic information regarding any clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund, or (2) is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic. All directors, officers and partners of the Firm are presumed to be access persons and shall abide by the standards of fair and ethical conduct in all dealings with the public and others. The Code of Ethics addresses the following topics: prohibited activities, personal securities transactions, outside business activities and gifts.

In addition to the foregoing Firm standards, all Access Persons of LMA must adhere to the following industry standards in all dealings with the public and strive for fair and ethical dealing with clients: excessive and unauthorized trading are not permitted, excessive mark-ups or commissions are not permitted, use of margin accounts is only allowed after principal approval; under no circumstances may an IAR open a discretionary trading account for a client without the approval of the Firm's CCO or CEO; neither LMA, nor any employee, is permitted to receive securities or hold client funds (i.e. cash, checks) - checks should not be made payable to any individual person; Access Persons may not engage in any form of fraudulent activity, such as opening fictitious accounts to execute transactions that would otherwise be prohibited; in making recommendations to clients as to the purchase of securities or mutual funds access persons shall not make recommendations beyond a client's capability; free riding and withholding by clients is strictly prohibited (i.e. purchased securities must be paid for before they can be sold; sold securities must be delivered before cash proceeds can be used for other purposes); known or suspected illegal or unethical behavior must be promptly reported to a Firm principal, the Chief Compliance Officer (“CCO”) or Chief Executive Officer (“CEO”); and no retaliatory action of any kind will be permitted against anyone making such a report, and the Firm's managing partners and officers will strictly enforce this prohibition.

### **Gifts**

Throughout the year and usually around the holidays mutual fund wholesalers, product representatives and other vendors send the IARs and/or the LMA branch offices gift items such as gift baskets, food items, stationery items or logo company promotional products. Due to industry rules these are less than \$100 in value. Gifts received are reported to the CCO, logged and aggregated with any other contributions by the same company during the year to review for concerns of favoritism or potential conflicts. Typically gifts are shared with all employees at the branch office.

### **Wholesaler/product sponsor events and third party sponsorships**

Mutual fund companies and product wholesalers often provide education opportunities, conferences and in-office meetings about their products and services, industry topics, and/or investment strategies for IARs and LMA employees. LMA has allocated Wednesdays at noon at the Falls Church branch for in-office wholesaler meetings. IARs outside of the Falls Church office are also invited to attend via webinar and conference call when available. These meetings are held for those employees and IARs that are interested in attending. The wholesaler typically provides lunch for meeting attendees. On occasion, wholesalers will also sponsor client events and may contribute a monetary amount directly to the venue location or vendor, which are indicated on the event invitation or notice. Wholesalers may make charitable contributions to events or organizations that an LMA employee is involved with. Employees may also attend fund company or product seminars or conferences that are paid by the fund company or product sponsor. When travel and event attendance costs are covered by the product company, prior firm approval is required by the LMA CCO. Wholesaler monetary contributions are monitored by LMA Compliance to review for material instances of favoritism or questionable activity. While these measures are in place, nevertheless

this could create a conflict of interest in the selection of choosing one fund over the other. Per the LMA Code of Ethics and LMA's general guiding principles, an IAR should do what is in the client's interest. Therefore, should a client have any concerns about the reasoning for recommending one fund over another, please discuss any concerns with the IAR.

### **Fiduciary Principles**

All IARs must comply with all applicable federal securities laws, including the Securities Act of 1933 (the "Securities Act"), the Exchange Act, the Sarbanes-Oxley Act of 2002, the Investment Company Act of 1940, the Advisers Act, Title V of the Gramm-Leach-Bliley Act, Department of Labor ERISA rules, the Bank Secrecy Act as it applies to mutual funds and investment advisers, and any rules adopted thereunder by the SEC or the Department of the Treasury.

IARs must place clients' interests first and foremost. All IARs must comply with MSRB Rule G-17 in the conduct of their municipal securities or municipal advisory activities and shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice.

If any person covered by this Code becomes aware of any violation(s) or potential violation(s) of any of the provisions of this Code or any amendments thereto, they have an affirmative obligation to report such violation(s) or potential violation(s) promptly to the CCO. Failure to report in a prompt manner any violation of this Code or any amendments thereto of which a registered person is aware will be considered itself a violation of the Code and subject to possible disciplinary actions. In the event that a matter implicates the CCO, notice of the violation may be provided to the CEO and/or the General Counsel of Focus Financial Partners, LLC.

### *Pre-Clearance Requirement for Certain Securities Transactions and Prohibited Securities Transactions*

IARs are required to obtain pre-clearance prior to making any and all securities transactions in LMA's prohibited or restricted securities list. IARs may be prohibited from purchasing certain securities due to the access the IAR has to material and non-public information or LMA's affiliates' activities. LMA has policies and monitoring procedures in place with regard to purchasing securities for personal and related accounts, which are incorporated in LMA's Written Supervisory and Procedures Manual and the accompanying Investment Advisory Appendix.

NOTE: A complimentary copy of LMA's complete Code of Ethics will be provided upon request by contacting the CCO at 703-761-3907 or [information@laramayllc.com](mailto:information@laramayllc.com).

### **Participation or Interest in Client Transactions, other Client Transactions**

LMA advisory accounts held at the Clearing Agent use LMA as the fully disclosed, introducing broker/dealer and Clearing Agent, where the accounts are held, to execute trades for LMA's investment advisory accounts. Trades are generally expected to be executed only with the broker/dealer with which the client has entered into a contract. LMA does not receive research services from another broker/dealer. Clients should refer to their program agreement for details on what the investment fee covers and what the client is responsible for.

LMA sponsors certain wrap fee programs. By participating in the program, clients instruct the applicable sub-advisor(s) to its program account to direct all orders for the purchase and sale of securities for the client's account. In addition, clients may further direct LMA to execute, clear and settle all client orders received by LMA from the applicable sub-advisor(s) through a specified broker-dealer with whom LMA has entered into a clearing agreement.

By directing brokerage to LMA, or designated broker-dealer(s), the client may not necessarily receive best execution on each transaction. As a result of directing brokerage transactions to LMA and the designated broker-dealer(s), the client may pay higher brokerage fees or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the client's account than would otherwise be the case if the applicable sub-advisor(s) had the discretion to place orders for the purchase and sale of securities for the client's account through other broker-

dealers. Furthermore, the sub-advisor(s) to the client's account may execute trades for the same securities for its other clients through other broker-dealers ahead of client's trades. By executing non-directed trades ahead of the client's directed trades, the client may receive less favorable executions prices to such sub-advisor's other clients due to, among other things, market movements. In addition, at times the sub-advisor(s) may aggregate trades ("Block Trades") of its other clients through other broker-dealers for the same securities as those being traded by the sub-advisor(s) through LMA for the client. Block Trades may obtain more favorable prices and brokerage charges than transactions excluded from the Block Trades.

In connection with its participation in various wrap programs (including those sponsored by LMA and by third parties), LMA may recommend third parties for custody or brokerage services. LMA may receive direct or indirect benefits through participation in these programs, such as receipt of client statements and confirmations, access to research related products and tools, discounts for conference attendance or prepared presentation materials and sales literature.

### Best Execution

LMA periodically distributes to the IAR's the order routing Rule 606 statistics of the Firms primary custodial broker/dealers to help IARs in their decision in recommending to clients which custodian to use. Other factors that are considered are: custodial and broker-dealer costs, skills, trade settlement, execution quality, dependability, other account costs, industry compliance practices, customer service, and compatibility with the client activity needs or holdings.

LMA on a firm level does not aggregate customer orders. LMA is an introducing broker-dealer and submits retail buy and sell orders for securities and mutual funds and may receive brokerage commissions on these trades. Trades are monitored for suitability, as pertaining to the client's goals and risk tolerances. All trades through Clearing Agent are screened through a trading filtering and alert system. An LMA principal either approves, resolves, or cancels/corrects problematic trades. Trades are placed on an individual basis by each IAR based on the needs of the client or as part of a discretionary model either managed by an IAR or third party manager. LMA itself does not engage in "block trades" on a principal basis. IAR's may affect a block trade, such as for discretionary programs, or whereby multiple clients of the IAR are purchasing or selling the same security at the same time. The executed price would be averaged for all accounts.

The securities that are traded for you may be traded in more than one marketplace. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements, we may rely on the Clearing Agent's discretion in selecting the market in which to enter your orders. They route customer orders for over-the counter and listed equity securities to exchange venues, as appropriate, with best execution being the highest priority. They may receive compensation in the form of a per-share cash payment for directing order flow to these market makers. They consider a number of factors when determining where to send customer's orders, including execution speed and price, price improvement opportunities, the availability of efficient and reliable order handling systems, the level of service provided, and the cost of executing orders. First Clearing strives to execute all held orders at prices equal to or better than the displayed national bid/offer price, up to the displayed size, at the time of execution.

As IARs operate independently of each other there could be disparity among clients between securities held, strategies implemented and different trading price and execution times. It is possible that at any given time, while one IAR is recommending to a client to "buy" another IAR could be recommending to another client to "sell" the same security. Likewise, third party managers may be buying or selling the same security without knowledge of the activity of the client's investments held elsewhere. Fee-based advisory clients do not pay broker commissions on assets eligible under the annual asset management fee of the program.

An agency cross transaction occurs when an investment adviser acting either as a registered broker-dealer or through an affiliated broker-dealer executes for a fee a transaction between an advised client and a client of the broker-dealer. If LMA recommends an agency cross transaction it must first disclose to the client in writing the capacity in which it is acting and obtain the client's consent to the transaction. Where it is determined that restitution is called for or that a trade must be cancelled and/or corrected, all or part of the disputed trade will be placed in LMA's Error account and corrected accordingly. Any profit resulting from subsequent trade(s) may go to LMA; if determined, losses will be the responsibility of the IAR at fault as determined at the exclusive discretion of the designated LMA principal.

Related persons of LMA (such as employees, IAR's or broker agents of the Firm) may buy or sell for themselves or family accounts, securities that they also recommend to clients. When possible, if an IAR is buying or selling securities for a personal or related account at the same time they are trading for clients, the trades will be aggregated as a block trade with the average price applied to all trades. If there is a discrepancy and a security is bought/sold for a client at the same time it is bought/sold by the IAR the lowest/highest price will go to the client. If the IAR is unable to block the trade for their personal account and the clients account (such as if the account types are different) the IAR will submit the client's trade first if the IAR is on the same side of the trade. If the client and IAR's activity is opposite, the IAR will submit their transaction first. Unsolicited trades will be executed per the client's request and will not apply to these practices. Trades that require the client's consent may hold up the IAR's submission of a recommended client trade and therefore the IAR may be permitted to trade their personal or related account prior to the client trade, and thus could receive a better price. Personal and related accounts are coded as such and trades are monitored by a Firm principal. Additionally, statements of IAR personal accounts outside of LMA are reviewed on a monthly or quarterly basis (as published) for trading conflicts of interest. Clients should consult with the IAR regarding any conflicts of interest or concerns.

## Review of Accounts

Accounts are reviewed by the IAR on an annual, quarterly and/or as-needed basis to ascertain whether the current asset allocation is consistent with the client's objectives and goals. If a client has a significant change in their suitability profile, or goals they should notify their IAR promptly to update their information and ascertain if their current investment plan is still suitable or if changes need to be made. Likewise, if there are significant market changes or industry occurrences, these could also trigger an investment review. Each IAR is responsible for reviewing their clients' investment plan and making recommendations.

Clients may receive oral and/or written reports and updates regarding their accounts from the IAR. The IARs utilize third party software packages to generate reports for illustration purposes for the client. Client will receive account statements directly from the custodian of their account(s) on a quarterly and, if applicable, on a monthly basis. Clients should always refer to the reports provided directly from the custodian for account values. Clients may also receive confirmations of transactions directly from the custodian as generated and may elect to receive these in hard copy or electronically. The Firm encourages all clients to view their account documents regularly.

## Custody

LMA, IARs and employees are prohibited from: accepting securities, holding client checks, serving as sole trustee for a client's assets, having check writing authority on behalf of clients, serving as general partner of a private placement/private fund or managing member of an LLC for a pooled vehicle, or be in possession of a client's username and password that would enable them to effect account transactions or withdraw funds. This would not apply to an IAR or employee whom, due to a spousal or family relationship, would serve in such a capacity. LMA will not have physical custody of any of the client assets. However due to certain authorities granted in custodial new account applications LMA is deemed by the applicable regulatory rules to have custody. LMA satisfies the



applicable regulatory requirements related to custody by, among other things, ensuring that an annual surprise audit is conducted by an independent, PCAOB-registered accounting firm.

The clearing agent calculates and deducts LMA's advisory fees from the account per the Program Agreement. Charles Schwab allows LMA to submit the advisory fee calculation for certain billable client accounts – *See Item 5 for information on fee calculation*. Accountholders must authorize the custodian to pay the LMA advisor's fees from their account. It is the accountholder's responsibility to verify the accuracy of the fees. The custodians have no obligation to review or monitor these fees. It is recommended that the accountholder contact their IAR if they have any questions.

Clients should receive at least quarterly statements directly from the custodian that holds and maintains your investment assets. **LMA urges clients to carefully review such statements and compare such official custodial records to any report or information that LMA or an IAR provides or is viewed via a custodial feed in a third party software or online portal.** Statements from different custodians may vary from one to another based on their accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Client Referrals and Other Compensation

Currently LMA does not have a solicitor/referral agreement in-force.

### Cash Sweep

You may earn a rate of return on the uninvested cash balances in your account by automatically placing or "sweeping" cash balances into a sweep vehicle until such balances are invested or otherwise needed ("Cash Sweep"). Cash Sweep vehicles currently consist of Money Market Mutual Funds and a Bank Deposit Sweep, which is composed of interest-bearing deposit accounts at four banks affiliated with Wells Fargo & Company ("Bank Sweep"). Eligibility for each available sweep vehicle is determined by the Clearing Agent based on the type of account, although the Bank Deposit Sweep is the only available option for non-ERISA, non-discretionary IRAs or non-entity clients who elect the Cash Sweep Program.

The Firm benefits financially from the Cash Sweep. Our agreement with the Clearing Agent provides for a monthly payment to us calculated on the average monthly net assets invested in the Bank Sweep or Money Market Sweep, except for ERISA assets, at a rate that increases as customer balances increase. The Bank Sweep is significantly more profitable to us than any other cash sweep vehicle. The financial benefits are an incentive for us to encourage clients to elect the Cash Sweep Program. The IARs recommending investment accounts, investment products and allocations are not compensated from revenue we receive from Cash Sweep Balances. Advisory fees charged on account values will include cash sweep balances.

We believe that the Bank Sweep is a suitable cash vehicle for our clients because their cash is insured by the FDIC and protected from market risk. We note, however, that the interest paid to customers is lower than the interest paid on money market funds. **Important information regarding your options, bank aggregate amounts, FDIC and SIPC coverage and fees are available in the Cash Sweep Program Disclosure Statement provided when you opened your brokerage account and consult with us. Please read over this document carefully.**

You may elect not to participate in the Cash Sweep Program and/or periodically invest cash balances directly in available money market mutual funds or other products offered as direct investments outside of the Cash Sweep Program by providing instructions to your IAR.

### Free credit & margin balances



The free credit balance is the cash held in a client's margin account that can be withdrawn by the client at any time without restriction. This balance is calculated as the total remaining money in a margin account after margin requirements, short sale proceeds and special miscellaneous accounts are taken into consideration. Our agreement with our Clearing Firm provides for us to receive a rebate on customer free credit balances. We charge interest on margin debit balances at a rate we determine as the broker/dealer in accordance with the margin agreement, new account agreement, margin disclosure statement and state of interest charges, and earn the difference between the interest rate charged to our clients and our cost of funds. Our agreement with our Clearing Firm increases the profitability of our margin lending as customer margin debit balances increase. Clients decide whether to maintain margin balances.

### **Financial Information**

LMA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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