

Form ADV Part 2A – Firm Brochure

Item 1 – Cover Page

LFAM Investment Counsel and Advisors LLC

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Plano, TX 75093
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Date of Brochure: August 2018

This brochure provides information about the qualifications and investment advisory business practices of LFAM Investment Counsel and Advisors LLC. If you have any questions about the contents of this brochure please contact us at 469-583-4125. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about our investment advisory business is also available on the Internet at www.adviserinfo.sec.gov. You can view our information on this website by searching for “LFAM Investment Counsel and Advisors LLC.” You can also search using the Firm’s CRD number. The CRD number for the Firm is **298382**.

Registration as an investment adviser does not imply a certain level of skill or training.

Item 2 – Material Changes

This is our initial Form ADV brochure so there are no material changes from prior filings. In the future, we will list material changes since our last Form ADV filed here.

We will ensure that you receive a summary of material changes, if any, to subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Introduction

LFAM Investment Counsel and Advisory LLC (referred to as “LFAM”, the “Firm”, “us” and “we” in this Disclosure Brochure), is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a Limited Liability Company formed under the laws of the State of Texas.

- The Firm is owned and controlled 100% by John A. Vann.
- We provide fee-only investment advisory services through LFAM. The nature and extent of the specific services provided to clients, including you, will always depend on each client’s financial status, objectives and needs, time horizons, concerns, expectations and risk tolerance.

Client Assets Managed by LFAM

The amount of client assets managed by LFAM totaled approximately \$0 as of August 3, 2018. \$0 is managed on a discretionary basis and \$0 is managed on a non- discretionary basis.

Tailor Advisory Services to Individual Needs of Clients

LFAM’S services are always provided based on the individual needs of each client. LFAM Advisory Representatives are instructed to consider the individual needs of each client when recommending an advisory platform. Clients are given the ability to impose restrictions on their accounts including specific investment selections and sectors. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions are limited to our Asset Management Services.

When client accounts are managed using models, investment selections are based on the underlying model and we do not develop customized (or individualized) portfolio holdings for each client. However, the determination to use a particular model or models is always based on each client’s individual investment goals, objectives and mandates.

General Description of Primary Advisory Services

The following are brief descriptions of LFAM’S primary services. A detailed description of our services is provided in *Item 5 – Fees and Compensation* so that clients and prospective clients can review the services and description of fees in a side-by-side manner.

LFAM’S Advisory Representative will conduct a complimentary initial meeting with the client for an information and data-gathering session. At this initial meeting, the Advisory Representative will assist the client in determining the advisory services needed.

Financial Planning Services – LFAM provides advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focuses on a client’s overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives.

Asset Management Services – LFAM provides advisory services in the form of Asset Management Services. Asset Management Services involve providing clients with continuous and on-going

management over client accounts. This means that LFAM will continuously monitor a client's account and make trades in client accounts when necessary, in accordance with the client's investment objective.

Third-Party Money Managers – LFAM provides advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisers. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary, in accordance with the client's investment objective.

Retirement Plan Services – LFAM provides several advisory services for corporate retirement plans such as pension, profit sharing and 401(k) plans. Such services are specific to the plan and may include working with individual participants.

Types of Investments.

With some exceptions, our Advisory Representatives are available to offer advice on most types of investments owned by a client and, at the specific request of a client, will explore investment options not currently owned by a client. Advisory Representatives providing asset management services may develop a portfolio consisting of some or all of the following securities; individual mutual funds, exchange traded funds, stocks, bonds, options and other public or private securities or investments.

When using Sub-advisers selected by LFAM, LFAM introduces clients to investment managers who provide discretionary management of individual portfolios of equity and/or fixed income securities.

Please refer to Item 8 for information on the types of investments recommended by LFAM.

Item 5 – Fees and Compensation

In addition to the information provided in Item 4 – Advisory Business, this section provides details regarding LFAM'S services along with descriptions of each service's fees and compensation arrangements. Clients are advised that they may pay more or less than other clients for similar services, however the fees clients will pay for advisory services will not exceed the fees established in the descriptions below.

1. Financial Planning Services

A. Financial Plans

LFAM provides financial planning services in the form of oral advice and written financial plans. A financial plan can include, but is not limited to, the following topics: tax planning, retirement planning, educational planning, portfolio analysis, asset allocation strategies, risk management planning, budgeting and cash flow, and estate planning.

At a complimentary initial meeting, the Advisory Representative will assist the client in determining the level of financial planning services needed. If clients elect to continue with the financial planning process, the Advisory Representative will hold as many meetings or telephone conferences as necessary to gather the documents, information, goals and objectives needed to prepare the financial plan. LFAM'S Advisory Representatives will meet with the client to:

- Identify financial goals and objectives;
- Collect and assess all relevant data;
- Identify financial concerns and formulation of solutions; and

- Prepare a financial plan with specific recommendations for presentation to the client.

Fees for Financial Plans and Consulting Services

Clients requesting a financial plan have the option of being charged on an hourly or fixed fee (either one-time or split over agreed time intervals) basis. Whether hourly or fixed, all fees will be disclosed to clients prior to any services being provided. Hourly fees are billed at a rate generally not to exceed \$350 per hour. The fee is negotiable based on the actual services required, the qualifications and experience of the Advisory Representative providing the service, the complexity of the client's situation, and the time and resources required to provide the service (i.e., support staff, administrative assistance, copy/fax services, notary services, etc.). For hourly charges, the specified hourly rate will be multiplied by the estimated number of hours needed to complete the requested plan and the client will be provided with an estimated total cost. If more time is required than the original estimate, the Advisory Representatives will contact the client about the additional time needed and will not proceed with additional work until receiving permission to do so. Whether the time required completing the plan is more or less than the original estimate, clients will always be charged for the actual time spent preparing the requested plan.

The fixed fee is a flat charge which will not be increased or decreased even if the actual time expended by the Advisory Representative is different than originally computed when determining the quoted fee.

B. Annual Consulting Services

Clients may also contract with LFAM for annual consulting services. Clients contracting for these services will receive 12 months of unlimited office meetings or telephone consultations on any financial topic of interest to the client. Fees are negotiable based upon the complexity of the client's financial situation, the services anticipated to be provided and the qualifications and experience of the Advisory Representative providing the services. The negotiated fee will be disclosed to the client prior to any services being rendered. Fees are payable on a monthly or quarterly basis, either in advance or arrears upon the completion of services.

Annual retainer services are for a one year period and are renewable upon written consent by the client.

Termination of Services

Either party may terminate the client agreement by providing written notice to the other. There is no penalty or termination fee for the termination of the agreement. If services are terminated within five business days of executing the agreement, the pro-rated fees for such period shall be waived. For termination requests received after the initial five business days, LFAM shall be entitled to the payment of Fees for services completed prior to termination of the Agreement. LFAM will provide a statement detailing the time expended by the Advisory Representative, explaining all charges and adjustments, with the amount due from the client or a pro-rated refund of all unearned monies. Financial planning services automatically terminate upon presentation of the financial plan to the client.

Fee Offset

If clients wish to implement LFAM advice, they may do so through any broker/dealer or investment adviser of their own choosing.

If clients wish to implement LFAM'S advice through one or more of LFAM'S advisory programs discussed later in this Form ADV, the Advisory Representative may waive or reduce the amount of the financial planning fee as a result of the fees paid by the client for these advisory programs, as LFAM will receive a portion of these fees. Any adjustment to the financial planning fee is at the discretion of LFAM'S Advisory Representative and will be disclosed to clients prior to the transactions being implemented.

2. Retirement Plan Services

LFAM offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan services can include, but are not limited to, the services detailed below. The exact suite of services provided to a client will be listed and detailed in the Retirement Plan Services Agreement.

A. Discretionary Management Services

- Discretionary Investment Management Service. LFAM provides Discretionary Investment Management Services by which we monitor the investment options of the Plan in order to add or remove investment options for the Plan and actively manage the assets of the Plan. LFAM will be granted discretionary authority to make all decisions regarding the investment options held in the Plan for Plan participants.

If you elect to utilize any of LFAM'S Discretionary Management Services, then LFAM will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to our Fiduciary Management Services. Accordingly, LFAM will act in a manner consistent with the requirements of a fiduciary under ERISA for all Discretionary Management Services. LFAM does not serve as administrator or trustee of the plan nor do we serve as custodian for any client account.

B. Consulting Services

LFAM provides the following Retirement Plan Consulting Services:

- Investment Policy Statement Preparation. LFAM will help you develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. You will have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.
- Non-Discretionary Investment Advice. LFAM will provide you with general, non-discretionary investment advice regarding assets classes and investment options, consistent with your Plan's investment policy statement.
- Investment Due Diligence Review. LFAM will provide you with a one-time review and recommendation regarding the Plan's reports and investment options. Where applicable, LFAM will review consistency with ERISA section 404(c) and the Plan's investment policy statement.
- Ongoing Investment Monitoring. LFAM will assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and LFAM will make recommendations to maintain or remove and replace investment options.
- Non-Discretionary Model Portfolios. LFAM will recommend, for consideration and approval by the Client: 1) Asset allocation target-date or risk-based model portfolios for the Plan to make available to Plan participants and 2) Funds from the line-up of investment options chosen by the Client to include in such model portfolios.
- Default Investment Alternative Advice. LFAM will provide you with non-discretionary investment advice to assist you with the development of qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election. You will retain the sole

responsibility to provide all notices to participants required under ERISA section 404(c)(5).

- Individualized Participant Advice. Upon request, LFAM will provide one-on-one advice to Plan participants regarding their individual situations.

LFAM acknowledges that in performing the Consulting Services listed above that it is acting as a “fiduciary” as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 (“ERISA”) for purposes of providing non-discretionary investment advice only. LFAM will act in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause LFAM to be a fiduciary as a matter of law. However, in providing the Consulting Services, LFAM (a) has no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of Client’s retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of Client’s retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of Client’s retirement plan or the interpretation of Client’s retirement plan documents, (b) is not an “investment manager” as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the “Administrator” of Client’s retirement plan as defined in ERISA.

C. Administrative Services

LFAM provides clients with the following Non-Fiduciary Retirement Plan Administrative Services:

- Participant Education. LFAM will provide education services to Plan participants about general investment related information Education presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment. LFAM will assist you with group enrollment meetings designed to increase retirement plan participation among.
- Qualified Plan Development. LFAM will assist you with the establishment or amendment of the plan by working with you and a selected Third Party Administrator. If you have not already selected a Third Party Administrator, we shall assist you with the review and selection of a Third Party Administrator for the Plan.
- Plan Fee and Expense Review. LFAM will provide you with periodic due diligence reviews of your Plan’s fees and expenses and your Plan’s service providers.
- Benchmarking. LFAM will provide you benchmarking services and will provide analysis concerning the operations of the Plan.
- Standard of (k)are™ Software. Upon request, Client may have access to the Standard of (k)are™ software and hosted services. Any such access will be subject to the terms of the Standard of (k)are™ End User License Agreement, which the Client must execute for access to Standard of (k)are™.

Although an investment adviser is considered a fiduciary under the Investment Advisers Act of 1940 and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since LFAM is not acting as a fiduciary to the Plan as the term “fiduciary” is defined in Section 3(21)(A)(ii) of ERISA.

Fee Information

In consideration for the above services, LFAM charges a one-time fixed fee, an annual fixed fee, a percentage-based fee or both, depending upon the services provided. The fee charged is determined (and may be negotiated with you) based upon the complexity of the plan, the size of the plan assets, the actual services requested and the representative providing the services. We also take into consideration special situations or conflicts of interest where charging a fee is prohibited under ERISA law. The type of fee charged will be indicated in your Retirement Plan Services Agreement.

Fixed Fee. We charge a fixed fee for our Non-Fiduciary Services and many of our Fiduciary Consulting Services. At our sole discretion you may be required to pay a portion of the fixed fee up front in the form of a retainer; however, at no time will we require payment of more than \$1,200 in fees and more than six months in advance. The annual fixed fee will be divided into either quarterly or monthly payments and may be charged either in advance or in arrears of the applicable billing period.

Percentage Fee. Fiduciary Management Services and some of our Fiduciary Consulting Services will be charged using an annual percentage fee not to exceed 1.50% of the total market value of the plan assets. The fee will be divided and billed in advance (at the start of the billing period) or in arrears (at the end of the billing period) on a quarterly or monthly basis and calculated based on the fair market value of the Plan as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for services commenced at any time other than the beginning of the billing period.

Fees will be deducted from the Plan or will be directly billed to the client.

You may incur certain charges imposed by third parties other than LFAM in connection with investments made through the Plan, including but not limited to, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, and qualified retirement plan fees. Service fees charged by LFAM are separate and distinct from the fees and expenses charged by investment company securities that may be recommended. A description of these fees and expenses are available in each investment company security's prospectus.

LFAM does not reasonably expect to receive any other compensation, direct or indirect, for its services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

3. Other Types of Fees or Expenses

LFAM and its Advisory Representatives may include mutual funds and exchange traded funds, (ETFs) in asset management strategies. Mutual Fund and ETF expense ratios are in addition to our fee, and we do not receive any portion of these charges. The expense ratio is the annual fee that all mutual funds or ETFs charge their shareholders. It expresses the percentage of the assets deducted each fiscal year for fund expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Some fund families offer different classes of the same fund and one share class may have a lower expense ratio than another share class. The expenses come from the client assets which could impact the client's account performance. All mutual fund expenses and fees are disclosed in the respective mutual fund's prospectus.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because

LFAM does not charge or accept performance-based fees which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

Item 7 – Types of Clients

LFAM generally provides investment advice to the following types of clients:

- Individuals
- Pension and profit sharing plans
- Trusts and estates
- Foundations
- Endowments
- Public sponsored retirement plans
- Corporations or business entities other than those listed above

Minimum Investment Amounts Required

In general, there is no minimum for Wealth Management Program, Participant Asset Management Program and Digital Advice Program accounts. For accounts managed in investment strategies developed by the LFAM Investment Committee, a minimum of \$40,000 is required for asset allocation models and \$250,000 for equity portfolios. A minimum of \$50,000 is required for Unified Managed Account Program accounts. Exceptions to these minimums may be granted at the discretion of LFAM.

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

LFAM Advisory Representatives use various methods of analysis and investment strategies. Methods and strategies will vary based on the LFAM Advisory Representative providing advice. Models and strategies used by one Advisory Representative may be different than strategies used by other Advisory Representatives.

Some LFAM Advisory Representatives may use just one method or strategy while other Advisory Representatives may rely on multiple. LFAM does not require or mandate a particular investment strategy be implemented by its Advisory Representatives. Further, LFAM has no requirements for using a particular analysis method and LFAM Advisory Representatives are provided flexibility (subject to LFAM supervision and compliance requirements) when developing their investment strategies.

Numerous model portfolios are developed by LFAM at any one time, but generally speaking, portfolios will be designed based on the following objectives:

- Large cap growth
- Large cap value
- International
- Asset allocation

Risk of Loss

LFAM primarily recommends mutual funds to meet the needs of its clients, although exchange traded funds, stocks and bonds may also be used. A mutual fund's investment objective and its holdings are influential factors in determining how risky a fund is. Mutual funds face risks based on the investments they hold. For example, a bond fund faces interest rate risk and income risk. Similarly, an equity sector fund is at risk that its price will decline due to developments in its industry. Overall market risk is defined

as the possibility that stock or bond fund prices overall will decline over short or even extended periods. Finally, principal risk, or the possibility that an investment will go down in value, or “lose money,” from the original or invested amount, is a risk faced by investors.

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Item 9 – Disciplinary Information

This item is not applicable to our brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 instructions that are material to a client's or prospective client's evaluation of our business or integrity.

Item 10 – Other Financial Industry Activities and Affiliations

LFAM is **not** and does **not** have a related company that is a (1) municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) pension consultant, (7) real estate broker or dealer, (8) sponsor or syndicator of limited partnerships, or (9) law firm.

Other Business Activities

LFAM'S only business is providing advisory services and investment advice to clients.

Accounting Services

Some of LFAM'S Advisory Representatives may establish relationships with CPA firms not related to LFAM and may provide advisory services to clients of these accounting firms. Some of those accountants may also be licensed as registered representatives. In their capacities as registered representatives, the Advisory Representatives may implement securities transactions on behalf of CPA firm clients and share the usual and customary commissions received with the licensed accountants. Clients are not obligated to use the services of the CPA firm or LFAM'S Advisory Representatives.

Some of LFAM'S Advisory Representatives may also be separately licensed as Certified Public Accountants or Enrolled Agents with the Internal Revenue Service. They may provide accounting or tax preparation services to clients. If appropriate, advisory clients may be referred to these individuals for accounting or tax preparation services, but they are not obligated to use these services. If clients do elect to use these services, charges for tax or accounting services provided will be separate from fees charged for advisory services.

Third-Party Money Managers

As described in *Item 4 – Advisory Business* and *Item 5 – Fees and Compensation*, LFAM has formed relationships with independent, third-party money managers. When we refer clients to a third party manager through our programs, you need to know that our Firm will receive a portion of the fee charged. Therefore, we have a conflict of interest in that we will only recommend third party money managers available through the programs described in Item 5 of the Disclosure Brochure.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts. In addition, an investment adviser has a duty of utmost good faith to act solely in the best interest of each of its clients. LFAM and its Advisory Representatives have a fiduciary duty to all clients. LFAM has established a Code of Ethics which all Advisory Representatives must adhere to. They must execute an annual acknowledgment agreeing that they understand and agree to comply with that Code of Ethics.

The fiduciary duty of LFAM and its Advisory Representatives to clients is considered the core underlying principle for LFAM'S Code of Ethics and represents the expected basis for all dealings the Advisory Representatives have with clients. LFAM has the responsibility to make sure that the interests of clients are placed ahead of it or its Advisory Representatives' own investment interests. All Advisory Representatives will conduct business in an honest, ethical and fair manner. All Advisory Representatives will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All Advisory Representatives have a responsibility to avoid circumstances that might negatively affect or appear to affect the Advisory Representatives' duty of complete loyalty to their clients.

This section is only intended to provide current clients and potential clients with a description of LFAM'S Code of Ethics. If current clients or potential clients wish to review LFAM'S Code of Ethics in its entirety, a copy may be requested from any of LFAM'S Advisory Representatives and a copy will be promptly provided.

Affiliate and Employee Personal Securities Transactions Disclosure

LFAM, our Advisory Representatives and/or our personnel may buy or sell securities in their personal accounts that we may also recommend to clients. Because this policy may create a conflict between the interests of clients and the personal investing opportunities of our personnel, we have established several procedures to control for the apparent conflict of interest.

- LFAM is and shall continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. Personnel shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, from information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry.
- It is our policy that no Advisory Representative shall prefer his or her own interest to that of the advisory client.
- Our personnel may not purchase or sell any security traded over an exchange (such as a stock position) prior to transactions in the same securities are implemented for an advisory client account.
- Most investments owned by our personnel are publicly traded and widely available (such as

mutual funds).

Item 12 – Brokerage Practices

Broker-Dealer Selection Process

Clients often grant LFAM the authority to select the broker-dealer to be used for the purchase and sale of securities. When evaluating best execution, we will consider the following factors in broker selection:

- Financial stability
- Reputation
- Quality of research available
- Type and size of both securities traded and markets traded on
- Liquidity
- History of execution speed and price improvement
- Competitiveness of commission rates compared to other brokers

Research and Other Soft Dollar Benefits

LFAM's primary objective in broker-dealer selection is to comply with its duty to obtain the best execution for clients. Best execution does not necessarily mean the lowest commission, but instead involves consideration of many factors, listed above.

A statutory “safe harbor” allows broker-dealers to be paid with commission dollars, also referred to as soft dollars, in exchange for statistical research and information. Soft dollar transactions generally cause clients to pay a commission rate higher than would be charged for execution of the trade only.

At times, LFAM may select a broker-dealer that charges a commission in excess of that which another broker-dealer may have charged for executing the same transaction. LFAM is not obligated to simply choose the broker-dealer with the lowest commission rate if, within reasonable judgment, we believe the total cost or proceeds may be less favorable for the client than what may be obtained by a broker-dealer offering soft dollar services.

Research related products and services provided by the broker-dealer may include both 1st and 3rd party research covering analysis and pricing, trading markets, legislative developments, economic and financial trends, and research or analytical computer software utilized in the investment management process.

LFAM is able to obtain such products and services through the use of Soft Dollars which reduces the need for LFAM to produce the same research through hard dollars. Thus, the use of soft dollars can provide economic benefits to LFAM and its clients.

Research products and services may be useful in servicing some or all of the Advisor and its affiliates' client accounts but may not be used by the Advisor in servicing the actual client accounts whose commission dollars generated and provided such research. Due to custodian restrictions, not all clients will be part of the soft dollar arrangement or pay for these services.

LFAM periodically reviews performance of broker-dealers and the items previously discussed to other broker-dealers to ensure that we are providing clients with the best execution available for those services.

Aggregation of Client Orders-Block Trading Policy

In some instances, trades for more than one client's account may be aggregated (“block trades”) and executed as a single trade in order to provide fair and equitable prices among managed client accounts. All clients will receive equal treatment when LFAM and its Advisory Representatives perform block trades

for managed accounts. Securities purchased or sold using block trades will then be allocated in a fair and equitable manner to all client accounts involved in the block trade. If for any reason the entire block trade cannot be completed on the day the trade is placed, client accounts will receive an equal pro-rata portion of the securities traded. LFAM will keep records of all block trades executed and the allocations for each client account that participates in the block trade. LFAM and its Advisory Representatives will not receive additional compensation as a result of block trading.

Trade Errors

Based on industry practice and SEC guidance to broker-dealers, a trade error under this policy is defined as including:

- Inaccurate transmission or execution of any term of an order including, but not limited to: price; number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;
- Unauthorized (because of misunderstanding or mistake) or unintended purchase, sale or allocation of securities, or the failure to follow specific client instructions; and
- Incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals or securities positions reflected in an account.

LFAM has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of LFAM to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by LFAM if the error was caused by the Firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. LFAM will never benefit or profit from trade errors.

Item 13 – Review of Accounts

Account Reviews and Reviewers

LFAM recommends that clients have their financial situation reviewed and updated at least annually. Unless clients contract for annual consulting services, financial planning services terminate upon the presentation of the plan or completion of the consultation. If clients elect to have LFAM perform this review and update, a new client agreement will be required and additional fees may be charged.

Managed accounts are reviewed at least quarterly. Accounts at third party money managers are reviewed when a statement is received from the manager, usually quarterly.

The calendar is the main triggering factor for reviews, although client requests, a change in client circumstances or objectives, and unusual market activity can also trigger reviews.

Statements and Reports

Clients receive account statements directly from the client's qualified custodian. Statements will be delivered at least quarterly. In addition, LFAM may provide performance or position reports of their accounts managed by LFAM.

Finally, at their discretion LFAM may provide written performance and/or position reports to clients in addition to the statements and reports discussed above. Clients are strongly urged to compare all reports prepared by LFAM against the account statements received from the client's broker/dealer or qualified custodian.

Item 14 – Client Referrals and Other Compensation

LFAM does not currently pay any third parties for client referrals and does not receive compensation from other parties for referring clients. If LFAM does pay referral fees in the future, it will do so in compliance with Rule 206(4)-3 of the Advisers Act.

Item 15 – Custody

Custody, as it applies to investment advisers, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

LFAM is deemed to have custody of client funds and securities whenever LFAM is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody LFAM will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

LFAM has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. **Clients should carefully review those statements and are urged to compare the statements against reports received directly from LFAM.** When clients have questions about their account statements, they should contact LFAM or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

LFAM may provide asset management services on a **discretionary** basis. LFAM's discretionary authority must be granted by the client in the client agreement. When discretionary authority is granted, it is limited in that LFAM will only be given discretionary trading authority. This authority will allow LFAM to determine the type of securities and the amount of securities that can be bought or sold for the client portfolio without obtaining the client's consent for each transaction.

Item 17 – Voting Client Securities

It is the policy of LFAM to not vote proxies for clients. Upon special request, LFAM will vote a proxy for clients under their discretionary management duties.

As a general policy, proxies will be voted in accordance with management recommendations. However, the Investment Committee has discretion to deviate from these guidelines in certain situations where it is determined that the management recommendation is not consistent with its client's interests.

Conflicts of Interest

LFAM understands that in certain circumstances, we may face conflicts of interest in making decisions on how proxies should be voted. If a material conflicts exists, the proxy will not be voted until it has been determined that the conflict is not material or appropriate steps have been taken to resolve the conflict of interest.

If a material conflict of interest is identified, LFAM will use one of the following methods to resolve the conflict:

- Disclosing the conflict to the client and obtaining the client's consent before voting
- Provide the client an opportunity to vote the proxies themselves
- Receive an independent third-part voting recommendation
- Such other method deemed appropriate under the circumstances, given the nature of the conflict.

Clients may obtain a copy of their proxy voting records as well as our voting policy and procedure by written request to the address at the beginning of this brochure.

Item 18 – Financial Information

This item is not applicable to this brochure. LFAM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, LFAM is not required to include a balance sheet for our most recent fiscal year. LFAM is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, LFAM has not been the subject of a bankruptcy petition at any time.

PRIVACY POLICY

LFAM is committed to safeguarding the confidential information of its clients. LFAM holds all personal information provided to it in the strictest confidence. Except as required or permitted by law, LFAM does not share confidential information about clients with nonaffiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of confidential client information, LFAM will provide written notice to clients, and they will be given an opportunity to direct whether such disclosure is permissible.

AN IMPORTANT NOTICE CONCERNING CUSTOMER PRIVACY

Customer Information Collected LFAM collects and develops personal information about clients and some of that information is non-public personal information (Customer Information). The essential purpose for collecting Customer Information is to provide and service the appropriate financial products and services clients obtain from the Firm. The categories of Customer Information collected by LFAM depend upon the scope of the engagement with LFAM and are generally described below. As an investment adviser, LFAM collects and develops Customer Information about clients in order to provide investment advisory services. Customer Information collected includes:

- Information received from clients on financial inventories and questionnaires through consultation with LFAM's Advisory Representatives. This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account, and other records concerning clients' financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.
- Information developed as part of financial plans, analyses or investment advisory services.
- Information concerning investment advisory account transactions.
- Information about clients' financial products and services transactions with LFAM.

Data Security LFAM and its affiliated companies restrict access to Customer Information to those Advisory Representatives and employees who need the information to perform their job responsibilities within the Firm. LFAM maintains agreements, as well as physical, electronic and procedural securities measures that comply with federal regulations to safeguard Customer Information about clients.

Use and Disclosure of Customer Information to Provide Customer Service for Client Accounts To administer, manage and service customer accounts, process transactions and provide related services for client accounts, it is necessary for LFAM to provide access to Customer Information within the Firm and its affiliated companies and to non-affiliated companies other investment advisers, other broker-dealers, trust companies, custodians and insurance companies. LFAM may also provide Customer Information outside of the Firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

Former Clients If clients close an account with the Firm, LFAM will continue to operate in accordance with the principles stated in the Notice.

Requirements of Federal Law In November of 1999, Congress enacted the *Gramm-Leach-Bliley Act* (GLBA). The GLBA requires certain financial institutions, including broker-dealers and investment advisers, to protect the privacy of Customer Information. To the extent a financial institution discloses Customer Information to non-affiliated third parties, other than as permitted or required by law, customers

must be given the opportunity and means to opt out (or prevent) such disclosure. Please note that other than what is described below in **When Advisory Representatives Leave LFAM**, LFAM does not disclose Customer Information to non-affiliated third parties except as permitted or required by law (e.g., disclosures to facilitate service of client accounts or to respond to subpoenas).

When Advisory Representatives Leave LFAM

LFAM understands that the relationship clients have with their Advisory Representative is important. If a client's Advisory Representative ends his or her affiliation with LFAM and he or she chooses to move to a different investment adviser, or if an Advisory Representative's relationship with LFAM is terminated, the LFAM Advisory Representative may be allowed to take with him or her copies of all client and account documentation (including but not limited to: account applications; customer statements; and other pertinent forms related to the advisory services provided to the client by LFAM), so the Advisory Representative is able to continue the relationship with his or her client and continue providing advisory services through his or her new advisory firm. LFAM will also retain copies of its client and account documentation. Clients do not need to take action if it is their choice to allow their LFAM Advisory Representative to keep copies of their confidential information should he or she leaves LFAM.

If you do not want your Advisory Representative to keep copies of your confidential information should he or she decide to end the relationship with LFAM in the future, you have the right to opt out. If LFAM provides services to a joint account, LFAM will treat the opt-out request by a joint account owner as applying to all owners on the account(s) managed or serviced by LFAM. If you choose to opt out now; at any time in the future; or wish to withdraw your opt out request, contact us at 469-583-4125. If it is your choice to opt out there will be a 30-day period before your opt out will take effect.

If you have questions about your personal information we have on file, your request should be directed to:

LFAM's Chief Compliance Officer at 469-583-4125.

Please include all investment advisory account numbers you maintain with LFAM with your correspondence.