



Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Lourd Capital, LLC, doing business as LourdMurray™. If you have any questions about the contents of this brochure, please contact us at 1-(800)780-9858. 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 LourdMurray is also available on the SEC's website at: www.adviserinfo.sec.gov.

Material Changes

In this March 12, 2019 update to our Disclosure Brochure, there are no material changes.

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Advisory Business

Lourd Capital, LLC, a Delaware limited liability company doing business as LourdMurray™ (“LM,” “we” or “us”) was founded in 2006 by B. Blaine Lourd under the name Lourd Capital Management. Palmer Murray joined the company on October 8, 2012 as President and Co-owner. In 2013, we began operating under the name LourdMurray™.

Thoughtful and consistent advice, because you come first.

We provide fee-only investment advice. We don't charge commissions or performance fees, engage in excessive trades, or push proprietary products. By law, we are held to a fiduciary standard and must act in the best interest of our clients at all times. This responsibility distinguishes us from brokerage houses, which are merely required to determine a level of suitability rather than uphold the best interests of their clients.

Instead of pitching ever-changing investment products and attempting to predict the future, we work to intimately understand your needs. We identify the purpose of your wealth, and then deliver institutional-grade investment advice tailored to your unique needs.

Our investment team consists of CFA® charterholders, CFP®s, and MBAs with extensive professional experience. From top to bottom, however, everyone at LourdMurray™ is focused on you.

We believe in the free enterprise system & your ability to benefit from it.

At the heart of our philosophy is one essential thing: you. We understand that markets allow companies to access capital and investors to create wealth. Historically, investors have reaped long-term rewards for prudently providing capital to a free enterprise system. But, we also know that speculative investing can destroy significant wealth.

That's why we identify factors that reward investors and allocate assets in a customized framework for each client. We also seek to eliminate the risks for which investors are not compensated and accept those that provide positive expected returns.

Our professionals use rigorous financial analysis plus customized client risk profiles to evaluate a wide range of market opportunities. We don't believe in pushing products, dynamic asset allocation, predictive analysis, and quarterly earnings pressure from public shareholders. We do believe in keeping your interests as our top priority, as well as an evidence-based investment approach, structure, diversification, low-costs, and tax-conscious strategies.

Our philosophy is not about chasing the latest trend. Rather, it's about understanding at a foundational level what is important to you and your values, and then creating an investment strategy that will achieve your goals.

Because your lifelong goals deserve so much more than a spreadsheet.

We work with a wide range of clients—from athletes to entertainers, to business owners with multi-generational needs, to successful entrepreneurs, executives, and institutions. But we also know that you are unique; you don't fit into any specific “category.”

That's why we take a genuinely holistic approach to the services we offer. We examine your wealth goals not only through investment management, but also via coordination with other professionals. We construct and implement comprehensive wealth plans that may cover investments, tax planning, estate planning, retirement plans, insurance needs, philanthropic goals. By focusing on a diverse set of relevant services, we help you “filter the signal from the noise.” The result is sound investment advice that you can rely on to help protect and grow your wealth.

Asset management services.

Our asset management services are implemented on a discretionary or non-discretionary basis, and may include use of third party separate account managers (“SAMs”). Our investment recommendations typically include the use of registered mutual funds and exchange-traded funds (“ETFs”), and may also include separate investments in equities, bonds, cash-equivalents, and other instruments. We provide investment consulting services that include allocation of assets among different assets classes, portfolio diversification, managing portfolio risk, and other general economic and financial topics.

Clients provide us with financial information to assist us in determining their financial condition, current and future income needs and other financial objectives, and discuss with us their investment goals, investment limitations, financial circumstances and risk tolerance. Together with the client, we develop an investment policy statement (“IPS”), which will establish your investment expectations, objectives and guidelines for investment management decisions. Clients must notify us if they consider any investments recommended or made for the account to diverge from the IPS. We consult with clients on a periodic basis regarding their information and, if appropriate, update the IPS to reflect any changes in their information.

SAMs.

Under certain circumstances, we may recommend SAMs to clients for specific and specialized asset classes. Under a three party agreement among the client, us and the SAM, a client typically grants the SAM full investment discretion, trading authority, with sole responsibility for the implementation of the client's investment program, and we monitor the SAM's performance. We will not place orders for transactions in the client's third party account or otherwise exercise trading authority over the account. In addition, in some cases the tri-party agreement authorizes LourdMurray™ to terminate the SAM.

SAMs are subjected to a due diligence process. Factors we consider when evaluating SAMs include: the independence and reputation of the SAM's custodian, the SAM's reputation and history, performance record, philosophy and continuity of management, client services, level of diversification, commitment to a particular

investment mandate, awareness of after tax performance objectives, minimum investment requirement, fees, and the SAM's administration, recordkeeping and reporting services. We obtain SAM information (e.g., performance figures, investment style, etc.) from tracking organizations, business publications, investment managers, personal interviews, and other sources which we believe are reliable.

Betterment robo-advisory program.

For some clients, we may recommend a web-based electronic investment advisory program (the "Program") that was structured and is operated and provided by Betterment LLC, an unaffiliated third party investment adviser ("Betterment"). Under the Program, clients sign a subadvisory agreement with Betterment and access the Program exclusively through the Program's website (the "Interface"). Clients are obligated to provide Betterment with their risk tolerance, financial circumstances and other information, and the Interface generates an Investment Policy Statement, or "Program IPS" for the client. Either we or the client may adjust the Program IPS through the Interface. Betterment then provides investment advice to the client based on the Program IPS, and directs Program trades to its affiliate broker-dealer, Betterment Securities—neither client nor LourdMurray™ can enter Program trades. While Betterment seeks to balance the client's account holdings with their Program IPS, imbalances due to account additions or withdrawals, or software or hardware malfunction, may result in distortions between the client's Program portfolio and the client's Program IPS. In addition to the advisory fees a client agrees to pay LourdMurray™, clients contract to pay Betterment a wrap fee that covers the investment advice provided via the Interface, execution and custody of the client's account in the Program. Betterment reserves the right to increase its fees with 30 days' notice.

Clients should understand there are important factors that may bear on the performance of their account with Betterment, including that:

- Betterment does not guarantee access to the Interface, and therefore the client may be unable to alter their Program IPS or other financial information on which Betterment provides its advice in a timely manner;
- the Program IPS is an overall objective for the Program account and may be inconsistent with a particular holding and the account's performance at any time and may be inconsistent with other asset allocations we suggest before the client enrolls in the Program;
- achievement of the Program IPS's objective is a long-term goal for the account, and asset withdrawals may impair the achievement of client's investment objectives;
- we will be unable to manage your Program account in a manner in which we may otherwise advise for advisory accounts we manage;
- the advice provided by Betterment is computer-generated, and therefore inherently has several limitations (including that neither LourdMurray™ nor Betterment can ensure that the Program can achieve any particular tax result for any client; Interface's algorithm may rebalance Program accounts without regard to the then-current market conditions or on a more frequent basis than the client might otherwise expect; the algorithm may not address prolonged market condition changes; and the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future security, market, industry, and sector performance);
- Betterment can amend the terms of the client's agreement with them at any time upon notice to the client;
- a client's participation in the Program is subject to numerous conditions, many of which must be reviewed in the Interface; and
- clients must agree to arbitration of any disputes they may have with Betterment.

We may recommend privately-placed securities or special purpose investment vehicles to certain qualified clients as a small portion of their overall asset allocation. When appropriate, we will make such recommendations to the client and monitor such recommendations. However, clients make the final decision on whether to invest after reviewing the issuer's offering material and gaining a full understanding of the risks.

Financial planning.

As part of our asset management services, we also provide financial planning services, which involve reviewing a client's financial and personal goals, risk tolerance and investments; and providing portfolio recommendations, implementing the portfolio and rebalancing. Additional services may include the following:

- LourdMurray™ CPA and client CPA coordination to minimize current and future tax liabilities;
- Portfolio design coordination with the client's tax profile and their overall balance sheet;
- Impact investing, SRI, ESG, etc. education and recommendations;
- Planning for philanthropy, education, gifting and estate tax minimization;
- Succession planning and asset protection;
- Coordination with the client's estate attorney, business manager, and others;
- Spending and budget analysis;
- Cash flow and future wealth projection scenarios;
- Employer ISO, RSU, ESPP, NUA, etc. planning;
- Retirement plan strategies and 401(k) advisory;
- Life, property & casualty, long term care, health and disability insurance analysis and planning;
- Mortgage and liability recommendations; and
- Business opportunity vetting and business sale analysis.

We rely on the information the client or the client's attorney, accountant, or other professional provides to us for our consulting services. We will not verify this information when doing our analysis. We may recommend the services of other professionals such as attorneys or accountants to help implement our recommendations. The client is under no obligation to use our services or recommendations, retains discretion over all such implementation decisions and is free to accept or reject any of our recommendations.

Other services.

We provide business consulting to other financial intermediaries such as banks, advisers and foundations, sometimes for compensation. We also provide investment consultation services on an hourly or fixed fee basis. When requested, we consult on existing investment portfolios, strategies, alternative investment opportunities, investment manager performance and other general economic and financial topics.

In addition, we provide pension consulting through both fiduciary and non-fiduciary consulting and advisory services for qualified retirement plans. The fiduciary services include developing the investment policy statement, investment selection and monitoring, model portfolio development, plan sponsor investment advice, and compliant document creation and retention. Non-fiduciary services may include plan design consulting, general investment education for participants, vendor search and monitoring, fee benchmarking and enrollment support. Depending on the client's demographics and needs, we may serve as ERISA §3(21) limited scope or 3(38) full scope fiduciary.

As of December 31, 2018, we managed approximately \$3.32 billion on a discretionary basis and \$318 million on a non-discretionary basis for approximately 507 clients.

Fees & Compensation

For our investment supervisory services, we are paid an annual fee based on a percentage of client assets under our management, ranging up to 1% annually of the assets' market value. The compensation method is explained and agreed upon with the clients in advance before services are rendered. Fees may be negotiated on a case by case basis, and are determined based upon a number of factors including the amount of work involved (including the level of financial planning services the client wishes to receive), the assets under our management and the attention required to manage the account. Alternatively, we may consider a fixed fee in lieu of an asset based management fee.

Clients are billed at the end of each calendar quarter in arrears based on the average daily balance of the account(s). Fees are generally deducted directly from the client's brokerage account under a written investment management agreement between us and the client (the "[Advisory Agreement](#)"). Fees are adjusted pro rata based upon the number of calendar days in the calendar quarter that the Advisory Agreement is effective. Assets contributed during a quarter are subject to the asset-based

fee, but withdrawals from client accounts do not reduce our fees.

Either party may terminate the Advisory Agreement at any time by giving written notice as described in the Advisory Agreement. The client is responsible to pay for services rendered until the termination of the Advisory Agreement and any fees earned by LourdMurray™ but not billed will be due upon termination.

Clients should be aware of their responsibility to verify the accuracy of the fee calculation we submit to the custodian, as the custodian will not determine whether the fee has been properly calculated. LourdMurray™ often utilizes mutual funds to implement its recommended investment strategy. Clients who are invested in mutual funds are paying two advisory fees—our management fee and, indirectly, a separate advisory fee to the mutual fund's investment adviser. A description of these fees and expenses are available in each fund's prospectus.

Our fees are for advisory services only and do not include other costs that the client may incur, including transaction fees, commission, or other management fees charged by non-affiliated third parties, including SAMs. Similarly, products we may recommend may also charge transactional fees, such as 12b-1 fees, surrender or similar transfer fees, and other fees.

Our hourly fee for investment consultation services is \$500 per hour with a \$1,000 minimum. Fees are payable either in advance or in arrears as agreed with the client. If requested by the client, we may consider a flat fee amount in lieu of an hourly fee. If a client terminates its consulting agreement, the client is responsible only for expenses incurred through cancellation, and an itemized invoice will be provided documenting the expenses that have been incurred.

Performance Based Fees & Side-by-Side Management

We do not charge performance fees. Some investment advisers experience conflicts of interest when they simultaneously charge some accounts performance fees and others asset-based fees. We choose to avoid that conflict.

Types of Clients

We provide investment supervisory services to various types of institutional and individual clients. Generally, the minimum account value is \$5,000,000. However, we retain discretion to waive the account minimum.

Methods of Analysis, Investment Strategies & Risk of Loss

Analysis Methods

When considering prospective investments and constructing client portfolios, we perform both holdings- and returns-based analysis. Consistent with our investment philosophy described below, we look for mutual funds with low management fees, low turnover, a high number of holdings relative to comparable benchmark

indexes, and low cash percentages. We also consider securities overlap in the funds and their aggregate global market coverage.

Returns-based analysis includes comparisons to benchmark returns, correlations to benchmarks, tracking error, multi-factor regressions, rolling returns, and best/worst return behavior. We monitor the asset class investment vehicles relative to their benchmarks to make sure they have very low tracking error and high correlations.

Investment Philosophy & Strategies

We believe that investing in individual stocks and bonds is overly speculative and introduces unnecessary company-specific risk to portfolios. We stress the importance of long-term investing using diversified mutual funds for most or all of an investment portfolio. We believe sustainable returns are driven by prudent asset allocation, not by a manager's individual stock picking skill. The empirical statistics regarding 'active' money managers indicates that on a risk adjusted basis, after accounting for fees and taxes, the overwhelming majority of investors will experience higher risk-adjusted performance by investing in index funds, ETFs and 'passive' investment vehicles. As such, we strive to use investment vehicles which effectively deliver asset class returns in a globally-diversified, cost-efficient, and tax-efficient manner.

Managed portfolios are constructed based on the appropriate level of client risk tolerance and financial objectives. Risk is defined as the deviation from an observable mean outcome, or standard deviation. Equity exposure is based on the amount of risk determined to be appropriate for each client. Portfolios may range from all equity to all fixed income. When managing taxable portfolios, we may use tax-advantaged equity vehicles that utilize techniques to limit capital gains distributions, and tax-exempt bonds as appropriate.

The equity portion of the portfolio seeks to capture exposure to a significant portion of publicly-traded stocks around the world with a slight overweight to US companies relative to non-US companies. This level of diversification seeks to minimize company-specific risk exposure and receive global capital market returns. Our investment strategies also tend to slightly overweight exposure to small-capitalization stocks or stocks that are perceived to have low market prices as compared to their enterprise book value. These characteristics have historically provided premiums relative to the returns of the general stock markets'.

Bonds in the portfolio serve to dampen the volatility of equities and provide incremental yield. We typically recommend investment grade bonds with short-term maturities, as we believe that investing in long-term and high-yield bonds adds proportionately more risk than return. We buy registered mutual funds and direct issues in investment grade corporate bonds, government and agency debt, US Treasury inflation protected securities, and investment-grade municipal bonds (credit ratings of BBB or better).

LourdMurray™ may use a limited allocation to alternative strategies as a compliment to traditional equity, real assets (e.g. REITs, infrastructure MLPs and commodities), and bond investments. Alternative asset classes have historically claimed little to no correlation to traditional asset classes such as equities and fixed income, with low volatility and higher risk-adjusted returns. However, the benefits of such alternatives are less clear after considering higher fees and tax costs. LourdMurray™ will consider alternative asset classes in cases where they are consistent with our risk-factor based investment philosophy, are beta-driven (not focused on manager alpha), could increase overall expected return, and/or reduce portfolio volatility. Such strategies may employ optionality to reduce market beta exposure, but we only access them in mutual funds that provide daily liquidity. All strategies are reviewed for performance contribution to the total portfolio, incremental costs, tax impact and liquidity constraints.

We typically do not use hedge funds and structured products, as the research shows their costs typically outweigh the benefits, especially for taxable investors.

Non-publicly traded securities, private placements & restricted securities

Investing in unregistered securities or unlisted securities may involve a high degree of financial and business risk that can result in substantial losses, due to the absence of trading markets of these securities and absence of public disclosure and other investor protection requirements applicable if the securities were publicly-traded.

Risk of Loss

All investing involves a risk of loss and past performance is no guarantee of future results. We also invest in diversified mutual funds and separate accounts that together provide exposure to over 9,000 securities worldwide, so individual company bankruptcies have little impact on portfolios. The fixed income portion of our clients' portfolios consist mostly of short-term, high quality bonds which have historically been a safe haven for investors during equity market downturns and hold their value during such periods. We attempt to assemble the appropriate balance of high risk, high return assets and low risk, low return assets, so that the combination of investments fits appropriately for each client's risk appetite.

Our client on-boarding process involves in-depth discussions about the best/worst return behavior of prospective portfolios. We use back-tested index data that includes significant market downturns from the 1990s through the most recent times and show clients historical 1, 3, 5, and 10 year worst, best, and average returns to provide perspective on portfolio behavior. We believe that investor behavior and discipline are critical factors in an investor's end return experience; they must be able to ride out market fluctuations and remove emotion from the investment process. We attempt to educate our clients to improve investment discipline by setting reasonable expectations through this advanced modeling process, so that clients will stick to their investment strategy despite changes in markets.

Specific Investment Type Risks

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

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

ETFs. ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

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

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

Municipal securities. Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or

other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

Disciplinary Information

Not applicable.

Other Financial Industry Activities & Affiliations

An affiliate of LourdMurray™ provides fee-based consulting services for certain legacy clients. This service includes personal financial consulting, business consulting and personal and corporate management consulting. This service is not actively marketed to our clients.

We also provide services that include the processing and reconciling of self-directed transactions for certain legacy clients. We do not actively offer these services and they do not include investment advice.

Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

LourdMurray™ and its employees may buy and sell the same securities that may be recommended to clients. To avoid any potential conflicts of interest involving personal trades, we have adopted a Code of Ethics ("Code"), which includes a formal personal securities transaction and insider trading policies and procedures. The Code requires, among other things, that our employees:

- Act with integrity and in an ethical manner with the public, clients and prospective clients;
- Place the interests of clients above one's own personal interests;
- Attempt to avoid actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

The Code also requires our employees to pre-clear certain personal securities transactions, report personal securities transactions on at least a quarterly basis, and provide us with a detailed summary of certain holdings (both upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest.

A copy of the Code will be provided to any client or prospective client upon request.

Brokerage Practices

In the course of providing our services, we (and the SAMs we may select to manage a portion of the clients' assets) will execute trades for our clients (directly or through the funds) through broker-dealers. When a client has given us broker discretion, there is no restriction on the brokers we may select to execute client transactions. Our general guiding principle is to trade through broker-dealers who offer the best overall execution under the particular circumstances. With respect to execution, we consider a number of factors, including the actual handling of the order, the ability of the broker-dealer to settle the trade promptly and accurately, the financial standing of the broker-dealer, the ability of the broker-dealer to position stock to facilitate execution, our past experience with similar trades, and other factors which may be unique to a particular order. Based on these judgmental factors, we may trade through broker-dealers that charge fees that are higher than the lowest available fees.

In addition, broker-dealer fees may vary and be greater than those typical for similar investments if we determine that the research, execution and other services rendered by a particular broker merit greater than typical fees.

We may aggregate multiple clients' purchases or sales as a single transaction. Transactions are usually aggregated to seek a lower commission, lower costs, or a more advantageous net price. The benefits, if any, obtained as a result of such aggregation, are generally allocated pro-rata among the client accounts which participated in the aggregated transaction.

SAMs may have different principles or policies with respect to execution of trades and selection of brokers. A SAM's policies and procedures in this area are among the factors that we will consider in choosing a manager.

Clients that restrict us to using a particular broker/dealer (or direct us to use a particular broker/dealer) for executing their transactions generally will be unable to participate in aggregated orders and will be precluded from receiving the benefits of trade aggregation, if any. In addition, those clients that direct transactions to a particular broker/dealer may be disadvantaged because they may not obtain allocations of new issues of securities purchased by us through other brokers/dealers. We will generally execute aggregated orders for non-directed clients before we execute orders for clients that direct brokerage. We may also execute trades for non-directed clients through the same broker/dealer to which other clients' direct brokerage.

There may be conflicts of interest over time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by us. We attempt to resolve all such conflicts in a manner that is generally fair to all of our clients.

Absent an existing brokerage relationship, we will assist the client with developing a relationship with Fidelity Brokerage Services, LLC ("Fidelity") or Betterment Securities ("B Securities"). We have negotiated rates with Fidelity and B Securities on behalf of clients and currently

believe the commission rates and services charged are competitive and in-line with discount brokerage services offered by large and reputable discount brokers.

As part of the institutional programs offered by Fidelity and B Securities, we receive benefits that we would not receive if our clients did not engage those firms as their brokers / custodians. While there is no direct affiliation or fee sharing arrangement between Fidelity and LourdMurray™, we receive economic benefits which would not be received if our clients did not utilize Fidelity or B Securities. Although it may be perceived as a conflict of interest, these benefits do not depend on the amount of transactions directed by LourdMurray™ to Fidelity or B Securities. Benefits we receive from Fidelity or B Securities may include: access to research and financial analytics, access to analyst reports, a dedicated trading desk that services our clients, a dedicated service group and an account services manager dedicated to the our accounts, access to a real time order matching system, the ability to aggregate client trades, electronic download of trades, portfolio management software, access to an electronic interface, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts, a quarterly newsletter, access to mutual funds, ability to have loads waived for our clients who invest in certain loaded funds when certain conditions are met and maintained, and the ability to have custody fees waived.

On occasion, Fidelity or B Securities may invite our employees to attend certain industry functions, research related events or other peer group events. Fidelity may pay for travel, lodging or other similar expenses. Employees are required to seek the authorization of our Chief Compliance Officer prior to attendance.

Review of Accounts

Client accounts are continuously and regularly supervised by our portfolio managers, Gordon Kao and Annie Shieh and the process is overseen by Senior Management. These reviews are designed to monitor and analyze client transactions, positions, and investment levels. Particular attention is given to changes in company fundamentals, industry outlook, market outlook and price levels, allocation drift, and manager style drift.

For allocation drift, the Portfolio Managers use Tamarac, a portfolio rebalancing software, to monitor portfolios on a regular basis. The Portfolio Managers run a series of specific searches that identify portfolios that may need action to be taken. Once a portfolio has been identified, it will be determined whether or not specific actions must be taken. These searches will look for the following, but are not limited to, portfolios that are out of tolerance, specific cash management requirements that need to be met, and loss harvesting opportunities.

LourdMurray™ provides clients with quarterly reports that will address asset allocation, securities holdings and account performance. Clients will also receive monthly account statements from their broker-dealer or custodian. You should carefully compare any statements we provide you with statements you receive from a custodian.

Client Referrals & Other Compensation

We do not directly or indirectly compensate persons who are not associated with us for client referrals. We do compensate employees and associates for generating potential clients for us by paying them a percentage of advisory fees paid by referred clients to us. Such referral payments do not increase or impact the advisory fees clients pay us.

We receive analytical portfolio allocation software from Dimensional Fund Advisors (“DFA”). We utilize this software to conduct regression and efficient frontier analysis, establish portfolio diversification parameters and analyze optimal portfolio construction. We utilize the software to create holdings and performance reports or marketing presentations provided to existing or prospective clients. In addition, DFA provides access to their professional staff to assist in creating or running reports. The receipt of DFA’s software and access to other such resources may cause a conflict of interest and give LoudMurray™ an incentive to recommend DFA Funds over other investment options.

Custody

All clients’ accounts are custodied by unaffiliated broker/dealers or banks. LoudMurray can access many clients’ accounts through its ability to debit advisory fees. For this reason, we are deemed to have custody of client assets. Account custodians send statements directly to clients on at least a quarterly basis. Clients should carefully review these statements, and should compare their custodial statements to any account information we provide.

We are also deemed to have custody of certain client accounts as a result of a principal who acts as co-trustee or trustee to certain client accounts. Those accounts undergo an annual surprise audit by an independent certified public accountant.

Investment Discretion

When a client engages us on a discretionary basis, we are responsible for asset allocation and selecting SAMs. The only limitations on our investment authority are those limitations imposed in writing by the client.

If we retain SAMs for a client, we typically reserve discretion to terminate any SAM on our client’s behalf. Clients should review the SAMs’ disclosure documents for more information on their policy with regard to investment or brokerage discretion.

Accounts we manage on a discretionary basis may receive different executions when purchasing or selling securities than accounts managed on a non-discretionary basis due to the fact that we must wait to receive client authorization before placing a trade order.

Voting Client Securities

LoudMurray™ may vote proxies for discretionary and non-discretionary accounts, as instructed by the client. When directed to vote proxies, we use a Proxy Administrator to identify applicable client proxies, vote the

proxies in the best interest of clients, and submit completed proxies promptly and properly to the issuer.

Our policy is to instruct our Proxy Administrator to vote your proxies in the interest of maximizing shareholder value. To that end, we will instruct the Proxy Administrator to vote in a way that we believe, consistent with our fiduciary duty, will cause the issue to increase the most or decline the least in value. In some instances, we may determine that a proxy will have little, if any, impact on shareholder value in which case we may elect to refrain from voting. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering the optimal vote.

If we determine that we are facing a material conflict of interest in voting a client proxy, we may choose to remove ourselves from the voting process for that particular ballot or take the voting recommendation of an independent third party who shall determine the vote that will maximize shareholder value.

Our complete proxy voting policy and procedures are memorialized in writing and are available for your review. In addition, our complete proxy voting record is available to our clients. Please contact us if you have any questions or if you would like to review either of these documents.

In the event we and the client have agreed that we will not exercise proxy-voting authority over client securities, the obligation to vote client proxies will remain with client. Clients are not be precluded from contacting us for advice or information about a particular proxy vote. However, we will not be deemed to have proxy-voting authority solely as a result of providing such advice to client.

Should we inadvertently receive proxy information for a security held in the client’s account, we will immediately forward such information on to the client. We will not take any further action with respect to the voting of such proxy. Upon termination of our Advisory Agreement with a client, we will make a good faith and reasonable attempt to forward proxy information inadvertently received by us on behalf of the client to the address of record.

Financial Information

Not applicable.