

## ITEM 1: FORM ADV PART 2A BROCHURE

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### Laurel Wealth Advisors, Inc.

#### CLIENT BROCHURE

(Firm CRD # 157139 / SEC #801-72334)

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Effective Date: September 23, 2019

Form ADV Part 2A; our "Disclosure Brochure" or "Brochure" is required by the Investment Advisers Act of 1940, and is a very important document between clients ("you", "your") and Laurel Wealth Advisors, Inc. ("Laurel Wealth," "LWA," "the Adviser," "us," "we," or "our"). This Brochure provides information about the investment advisory services, qualifications and business practices of Laurel Wealth, an investment advisory firm registered with the Securities and Exchange Commission (the "SEC"). As required by federal and state regulations, this Brochure is on file with the appropriate securities regulatory authorities.

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. The information provided within this Brochure is not to be construed as a recommendation or an endorsement by state securities authorities in any jurisdiction within the United States or by the SEC. Nothing in this document is to be construed as an offer of securities; please refer to actual fund and investment offering documents for complete disclosures. Registration as an Investment Adviser does not imply a certain level of skill or training, and investments involve risk, including the possible loss of principal. The written and oral communications of an Adviser provide you with information that you may use to determine whether to retain or hire the Adviser.

Please contact Laurel Wealth's Chief Compliance Officer directly at 858.459.1101, if you have any questions about the contents of this Brochure.

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

*(Click on the link, select "Investment Adviser Firm," and type in the firm's name or CRD #157139.  
Results will provide you both Part 1 and 2 of the Adviser's Form ADV.)*

## ITEM 2: MATERIAL CHANGES

### Update

Laurel Wealth Advisors is providing the following information as part of an interim amendment update. The last annual amendment update to the Adviser's Form ADV Part 2A Disclosure Brochure was January 23, 2019. This amendment filing discusses only the changes that have occurred since then, which are as follows:

- Item 4: Advisory Business

#### *Assets Under Management*

The Adviser's Assets Under Management ("AUM") data was updated to reflect AUM as of September 1, 2019:

TYPE OF ACCOUNT	ASSETS UNDER MANAGEMENT
Discretionary	\$ 1,136,301,427
Non-Discretionary	\$ 204,102,014
Total	\$ 1,340,403,441

#### *Management*

- Effective April 1, 2019, the Adviser removed Elizabeth A. Cave as Compliance Management Officer.
- Effective April 15, 2019, the Adviser added Brian M. Lavoie as Director of Operations. The duties of the prior Compliance Management Officer were reassigned to Mr. Lavoie, as of this date.

#### *Co-branded Advisor Representatives*

- Effective April 12, 2019, the Adviser added Joseph A. Forlenza as a Co-branded Advisor Representative DBA "Skycity Advisors, LLC."
- Effective April 24, 2019, the Adviser added Jelveh P. Pedraza as a Co-branded Advisor Representative, DBA "Palizban Pedraza Wealth Advisors."
- Effective July 12, 2019, the Adviser added Christopher M. Conner and Adam T. Tirapelle as a Co-branded Advisor Representatives DBA, "Strong Valley Wealth & Pension."
- Effective September 20, 2019, the Adviser added Jason W. Rankin, Erica L. York, and Robert L. Rankin as a Co-branded Advisor Representative DBA, "Strong Valley Wealth & Pension."

#### *Wrap Fee Brochure*

The Adviser is a Sponsor and provides investment management services to a Wrap Fee Program ("Laurel Wealth Wrap Fee Program"). Under this Wrap Fee Program, one fee call a wrap fee is charged for a bundle of services which can include management fees, custodial fees, trading expenses, reporting, and administrative costs. The Adviser receives management fees and a portion of the Wrap Program fee related to administrative services the Adviser performs from the payment of the Wrap Program fee. For a complete description of the Wrap Program, Wrap Program fees and what services are included in the Program, please refer to the Wrap Fee Brochure (Form ADV Part 2A -Appendix I), which is available upon request.

- Item 9: Disciplinary Information

Item 9 was updated to reflect Laurel Wealth's consent to an offer of settlement with the SEC effective August 26, 2019. Please refer to Item 9 for further details, and the order, as follows: <https://www.sec.gov/litigation/admin/2019/ia-5330.pdf>.

- **Enhancement to ADV Disclosures**

In addition to the above changes, Laurel Wealth also expanded disclosures and explanations of its advisory practices, within Items 4, 5, 10, 11, 12, 13, and 17 of this Brochure. While the explanatory edits to these areas of the Adviser's ADV Brochure made may not necessarily be material in nature, the enhancements were provided to better aid client understanding of the Adviser's practices, services, and business model.

#### **Full Brochure Availability**

This Form ADV 2A Disclosure Brochure applies to all Laurel Wealth advisory accounts, including any advisory accounts a client may open in the future. Laurel Wealth may, at any time, amend this Brochure to reflect changes in its business practices, changes in regulations, or required yearly updates as mandated by securities regulators. Annually, Laurel Wealth will provide clients with a copy of the updated Brochure either by electronic means or by hard copy, a summary of material changes from the Brochure previously provided. Please retain this document for future reference as it contains important information concerning new Accounts with this Adviser.

This Disclosure Brochure may also be viewed online at any time at the SEC's Investment Adviser Public Disclosure website as follows: <http://www.adviserinfo.sec.gov>, by searching for the firm by name or CRD # 157139. A copy may also be obtained by contacting us directly at 858.459.1101.

*Investment products are not FDIC insured, not insured by any federal government agency, not a deposit or other obligation of, or guaranteed by, Laurel Wealth Advisors, Inc., and are subject to investment risks, including possible loss of the principal amount invested.*

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## ITEM 4: ADVISORY BUSINESS

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### Description of the Advisory Firm

Laurel Wealth Advisors, Inc. is a federally registered investment adviser located at 8008 Girard Avenue, Suite 330, La Jolla, California 92037. The firm has been in business since March 2011. Laurel Wealth's Principal Owners are Lee A. Tripodi, Principal & President, and Mark D. Welsh, Principal & Managing Director. *(Please refer to Form ADV Part 2B - Brochure Supplements for details of the Principal's formal education and business background.)*

### "Co-Branding" Disclosures

Laurel Wealth offers services through its network of Investment Advisor Representatives ("Advisor Representatives" or "IARs"). Some Advisor Representatives may have established their own legal business entities whose trade names and logos are used for marketing purposes and may appear on marketing materials or client statements. Clients should understand that these businesses are legal entities of the *Advisor Representatives* and not of Laurel Wealth, the Investment Adviser. Advisor Representatives are under the supervision of Laurel Wealth, and the advisory services of the Advisor Representatives are provided through Laurel Wealth. Laurel Wealth has co-branding arrangements with the following Advisor Representatives:

- Leonard H. Anderson, LHA Capital Partners
- Patrick J. Berry, CONCERT Retirement Plan Consulting, Inc.
- Douglas F. Bradley, Capital Stewardship Group
- Neva C. Bradley, Capital Stewardship Group
- Peter G. Chiang, Jr., CORE Investment Management
- Christopher M. Conner, Strong Valley Wealth & Pension
- Erick S. Conway, von Berge Wealth Management Group
- Steven R. Daniels, Eudaimon Wealth Management
- Joseph A. Forlenza, Skycity Advisors
- Gregory J. Jackey, Jackey/Robinson Group
- Brent W. Lowe, Granite Wealth Advisors
- Barbara J. Norman, Sage Path Solutions
- Vanessa L. Pearson, Pearson Wealth Management
- Jelveh P. Pedraza, Palizban Pedraza Wealth Advisors
- Jason W. Rankin, Strong Valley Wealth & Pension
- Robert L. Rankin, Strong Valley Wealth & Pension
- Beverly W. Robinson, Jackey/Robinson Group
- Adam T. Tirapelle, Strong Valley Wealth & Pension
- Erick D. von Berge, von Berge Wealth Management Group
- Stuart J. Weissman, Wealth Preservation
- Erica L. York, Strong Valley Wealth & Pension

### Types of Advisory Services

Laurel Wealth offers investment supervisory services, financial planning services, and ongoing portfolio management services for clients based on the individual goals, objectives, time horizons, and risk tolerance of each client. These services include but are not limited to, the following:

- Investment Strategy
- Personal Investment Policy
- Asset Allocation
- Asset Selection
- Portfolio Monitoring

The Adviser emphasizes continuous personal client contact and interaction in providing the above services. And, works with clients to create portfolio allocations designed to complement each client's individual defined goals and objectives, as detailed within each client's Investment Advisory Agreement ("Advisory Agreement"). Laurel Wealth provides individually tailored client investment strategies and recommendation services on a discretionary or non-discretionary basis. Advisor Representatives are restricted to providing the services and fees detailed in this document and the client's Advisory Agreement. *(See, "Item 16: Investment Discretion.")*

#### Investment Supervisory Services

Investment Supervisory Services clients undergo an initial interview and discussion to outline their current financial situation and to establish their risk tolerance and investment objectives (i.e., including income, tax, and risk acceptance levels, among other considerations). If appropriate for the Account type, Laurel Wealth will create an Investment Policy Statement ("IPS") to aid in the selection of a portfolio that matches the client's circumstances. The IPS establishes reasonable expectations, objectives, and guidelines for the investment of the client's Portfolio Account ("Account") assets. It sets forth an investment structure detailing permitted asset classes and regular allocations for the Account and creates the framework for what is intended to be a well-diversified asset mix whose goal is to generate acceptable, long-term returns at a level of risk suitable to the client. An IPS is not a contract; an IPS is an investment philosophy summary intended to guide the client and the Adviser; it is not to be construed as offering any guarantees. *Clients are ultimately responsible for establishing their investment policy.*

Clients will be assigned to one of several risk profiles and a specific portfolio strategy, based on information gathered and the amount of assets to be managed on their behalf. The final fee structure is documented in each client's Advisory Agreement. Laurel Wealth will then supervise and direct the Account's investments, subject to the objectives, limitations, and restrictions listed in the client's written Advisory Agreement and IPS (if required for the Account type).

***Clients are expected to notify Laurel Wealth of any changes in their financial situation, investment objectives, or Account restrictions, promptly.***

#### Financial Planning Services

Laurel Wealth's financial plans and financial planning services could include but are not limited to investment and retirement planning assistance, tax concerns, college planning, personal savings, investment programs, and debt or credit planning. Services are based on either fixed or hourly fees, with the final fee structure documented in each client's Advisory Agreement. In offering financial planning, a conflict exists between the interests of the Adviser and the interests of the client. The client is under no obligation to act upon Laurel Wealth's recommendation(s), and should they elect to act on any recommendations received, they are under no obligation to effect the transaction through the Adviser.

#### Financial Planning Services - ERISA Accounts

Laurel Wealth provides investment advice to clients that are employee benefit plans or other retirement accounts (i.e., IRAs). As such, the firm is considered a fiduciary under the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code") and is required to abide by the Impartial Conduct Standards, as defined by ERISA. To comply with the Impartial Code Standards, the Adviser provides advice to clients based on their best interests and charges no more than reasonable compensation [within the meaning of ERISA Section 408(b)(2) and Internal Revenue Code Section 4975(d)(2)], for such advice. The firm makes no misleading statements about investment transactions, compensation, conflicts of interest, or any other matters related to investment decisions. The Adviser maintains a non-variable compensation structure ("Level Fee") provided either based on a fixed percentage of the value of assets or a set fee that does not vary with investments recommended (as opposed to a commission or other transaction-based fees). Due to this non-variable compensation structure, while held to fiduciary standards of care, the firm is subject to fewer disclosures and reporting requirements than investment advisers operating under differing business models.

The Adviser can provide hourly services for clients who need advice on a limited scope of work. Limited services are offered at a discounted rate, based on a flat fee, as defined in each client's Advisory Agreement.

### Types of Investments

Laurel Wealth will generally provide investment advice and money management concerning mutual funds, equities, bonds, fixed income, debt securities, ETFs, REITs, select alternative investments, and government securities. But, will use other securities as well to help diversify a portfolio, when applicable and appropriate.

### Client Tailored Services

Laurel Wealth offers the same suite of services to all its clients. However, some clients will require only limited services due to the nature of their investments. Limited services are offered at a discounted rate, as defined in each client's Advisory Agreement. Fees can be paid via check or debited directly from the client's Custodial Account. Clients should refer to their Advisory Agreement for more detail.

### Client Imposed Restrictions

Clients can impose restrictions on investing in particular securities or types of securities, based on their values or beliefs. Any limits may affect the performance of their Account and may have variations from a similarly managed Account with no restrictions. Reasonable efforts are used to comply with client investment guidelines, including any reasonable limits requested by the client by standard industry practices. In the event security purchases are made outside of such instructions or restrictions, Laurel Wealth will take reasonable steps to bring the Account back in-line with the client's stated objectives. However, if the restrictions prevent the proper servicing of the Account, or if the restrictions would require the Adviser to deviate from its standard suite of services, Laurel Wealth reserves the right to end the relationship.

### Wrap Fee Program

The Adviser is a Sponsor and provides investment management services to a Wrap Fee Program ("Laurel Wealth Wrap Fee Program"). Under this Wrap Fee Program, one fee called a "wrap fee" is charged for a bundle of services which can include management fees, custodial fees, trading expenses, reporting, and administrative costs. The Adviser receives management fees and a portion of the Wrap Program fee related to administrative services the Adviser performs from the payment of the Wrap Program fee. For a complete description of the Wrap Program, Program fees and included services in the Program, please refer to Laurel Wealth's Wrap Fee Program Brochure (Form ADV Part 2A -Appendix I), which is available upon request.

### Assets Under Management

The following represents the amount of Laurel Wealth's advisory Assets Under Management ("AUM") as of September 1, 2019:

TYPE OF ACCOUNT	ASSETS UNDER MANAGEMENT
Discretionary	\$ 1,136,301,427
Non-Discretionary	\$ 204,102,014
Total	\$ 1,340,403,441

## ITEM 5: FEES & COMPENSATION

### Fee Schedule

#### Investment Supervisory Services Fees

The following are the Investment Supervisory Services Fees ("Advisory fees") charged by Laurel Wealth Advisors for services provided. ***All management fees are negotiable under certain circumstances up the maximum annual rates listed below.*** (See "Fee Negotiation Available," following):

**Laurel Wealth Advisors, Inc.**  
**Investment Supervisory Services Fees**

<b>TOTAL ASSETS UNDER MANAGEMENT</b>	<b>ANNUAL FEE</b>
\$1 – 249,000	up to 2.25%
\$250,000 – 499,000	up to 2.00%
\$500,000 – 999,000	up to 1.75%
\$1,000,000 – 2,499,000	up to 1.25%
\$2,500,000 – 4,999,999	up to 1.00%
Above \$5,000,000	Negotiable

*Note: Lower fees for comparable services can at times, be available from other sources.*

Laurel Wealth charges a minimum Advisory Fee of 25 basis points per year. Laurel Wealth may, at its sole discretion, decide to waive this minimum.

**Fixed, Financial Planning & Hourly Services Fees**

Fixed, financial planning and hourly fees are also negotiable under certain circumstances, up to the maximum annual rates listed herein. Fees are paid per the fee schedules noted below. Clients can terminate their contracts without penalty within five (5) business days of signing an Advisory Agreement. Clients should refer to their Advisory Agreement for more detail.

**Fixed & Pension Consulting Services Fees**

Fixed and Pension Consulting services fees can vary between \$250 and \$5,000, depending on the complexity of the situation. Fees are negotiable and are paid in arrears upon completion of the services. Fees can be paid via check or debited directly from the client's Custodial Account, upon completion. Because fees are paid in arrears, no refund is necessary if an account is terminated. Clients should refer to their Advisory Agreement for more detail. The minimum fee for a Pension Consulting Fee is \$1,000.

**Financial Planning Services Fees**

Financial Planning Services fees can be based on a fixed or hourly fee. The fee for a financial plan is predicated upon the facts known at the start of the engagement, as agreed upon before services commence. Financial planning fees can vary between \$450 and \$10,000, depending upon the involvement of the plan. Fees are negotiable; rates will be agreed upon before engagement and are due at the time of engagement. Fees can be paid via check or debited directly from the client's Custodial Account, upon completion. Clients should refer to their Advisory Agreement for more detail. Fees over \$5,000 require Principal review and approval.

Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. Ultimately, financial planning fees will be determined at the discretion of the Advisor Representative assigned to the Account, based on the required resources and complexity of the plan. If the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for agreement. When a fee increase is necessary, the client must approve and agree to the change of scope in advance of any additional work performed. After delivery of a financial plan, future face-to-face meetings may be scheduled as necessary for up to one (1) month. After that, follow-on implementation work is billed separately at the rate of \$300 per hour. If a client requests a specific hourly financial planning consultation, the entire fee will be payable upon completion of the consulting service.

Alternately, Laurel Wealth may require the client to pay an initial retainer of 50% of the estimated financial planning fee in advance of any services rendered with the remaining balance payable upon completion of the contracted services. ***However, under no circumstance will a client be required to pre-pay of a fee more than six months in advance***

***and excess of \$1,200. Laurel Wealth will not accept the pre-payment of any advisory fees greater than \$1,200, more than six months in advance.***

Laurel Wealth reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the Adviser's judgment, to providing proper financial advice.

#### Hourly Services Fees

For clients who require advice on a limited scope of work, depending on the complexity of the situation and the needs of the client, the Adviser can provide hourly services. Hourly services are billed as a flat fee, up to \$400 an hour, as defined in each client's Advisory Agreement. Hourly fees are due upon completion of the consulting service and can be paid via check or debited directly from the client's Custodial Account, upon completion. Clients should refer to their Advisory Agreement for more detail.

#### Fee Negotiation Availability

Advisory fees are negotiable under certain circumstances, up to the maximum annual rates listed herein, subject to certain limitations and approval by the Adviser. To the extent fees are negotiable, some clients may pay more or may pay less than other clients for the same advisory services, depending, but not limited to: Account inception date, number of related investment Accounts, or total assets under management. At Laurel Wealth's discretion, Accounts for members of the client's family (husband, wife and dependent children) or related businesses may be assessed fees based on the total balance of all Accounts. *Lower fees for comparable services can at times, be available from other sources.*

#### Additions, Withdrawals & Terminations

##### Additions

Clients may make additions to their Account at any time in cash or securities. The Adviser reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's Account. If the Adviser liquidates transferred securities, clients may be subject to additional fees such as transaction fees, other fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and tax ramifications.

##### Withdrawals

Clients may make withdrawals from their Account at any time in cash or securities. Clients must notify the Adviser upon withdrawing assets from their Account. Withdrawals are subject to the usual and customary securities settlement procedures. Additionally, if the client transfers their Account to another firm, the client may pay an outgoing Account transfer fee.

##### Terminations

Clients have the right to terminate an Advisory Agreement without penalty, within five (5) business days after document execution. After that, the Agreement will continue in effect until terminated by either party for any reason upon receipt of 30-days written notice. Termination of an Agreement will not affect the validity of any action previously taken by the Adviser under the Agreement, liabilities or obligations of the parties from transactions initiated before termination of the Agreement, or the client's responsibility to pay any Program fees due, prorated through the date of termination.

If the client executes their Advisory Agreement after the first day of a calendar quarter, upon termination, the Advisory Fee will be pro-rated for the remainder of that quarter. Effective with the date of termination, Laurel Wealth shall refrain, without liability or obligation, from taking any further action in a client's Account. From the date of termination, the Adviser will no longer be entitled to receive fees, and any prepaid, unearned fees will be promptly refunded to the client on a pro-rata basis, based on the date of termination to the end of the billing period. The Adviser may also terminate an Agreement at any time, by notifying the client in writing.

## Fee Billing

Laurel Wealth's clients agree to pay an asset-based Advisory fee calculated according to the tiered Fee Schedules listed herein and as agreed upon in their written executed Advisory Agreement. Fees are paid either monthly in arrears or quarterly in advance, based on the client's Account asset value as of the last business day of the prior calendar quarter.

Clients have two options for payment of their Advisory fees. They may either choose to have their fees deducted directly from their Account assets at the Custodian or may choose to be billed directly for any fees due, as follows:

1. *Direct Account Deduction of Advisory Fees* - The client will provide written limited authorization instructions directly to their Custodian directing the Custodian to allow Laurel Wealth to withdraw any Advisory fees due from their Custodial Account. Specifically, the limited authorization will expressly authorize Laurel Wealth to invoice the Custodian directly for the client's Advisory fees when due and will instruct the Custodian to automatically debit the Advisory fees due, straight from the client's Custodial Account. The Custodian maintains actual custody of the client's assets. Clients may elect to have their quarterly fees charged to either one Account or split between their other Accounts at the Custodian (if applicable). And, will receive Custodial statements showing the Advisory fees debited from the designated Custodial Account(s). Further, the written instructions will request the Custodian provide a "transfer of funds" notice to the client at their address of record after each Advisory Fee payment transfer occurs. *(These instructions may be provided on the qualified Custodian's form, via execution of "EXHIBIT I - Custodian Identification, Acknowledgment & Instructions" of the client's executed Advisory Agreement, or separately by the client.)*

To bill an Account, Laurel Wealth will then:

- invoice the Custodian directly for the client's Advisory fees due, with fee calculations made according to the Investment Supervisory Services Fee Payment Schedule and amounts reflected within the client's executed Advisory Services Agreement,
- provide to the Custodian an itemization of the fee billing calculation which will include the formula used to calculate the fee, the value of the assets under management on which the fee is based, and the period covered by the fee *(for many Custodians, this invoice information will be presented in the form of a datasheet upload reflecting client invoice details, not a copy of an actual "invoice")*, and
- instruct the Custodian to send the client statements at least quarterly, showing all disbursements and activity on the client's Account, to include the amounts of any assessed Advisory fees.

OR

- *Direct Client Billing of Advisory Fees* - Clients will authorize Laurel Wealth to invoice them directly for the payment of any Advisory fees due. Clients' fee payments must be made by separate check, and under no circumstance will any Advisory fees be deducted from amounts held in the client's Custodial Account(s).

Laurel Wealth may also provide the client with a statement specifying the Advisory fees assessed to the client's Account. ***Laurel Wealth urges clients to compare the Account statements they receive from their Custodian with any periodic portfolio report or statement they may receive from us promptly upon receipt, to ensure the accuracy of all Account transactions.*** The reports received from Laurel Wealth may vary from Custodial statements based on Accounting procedures, reporting dates, or valuation methodologies of particular securities.

Laurel Wealth encourages clients to raise any questions with us about the custody, safety, or security of their assets or any statements received. Unless the client indicates otherwise, by promptly notifying the Adviser in writing of specific investment restrictions on the Account(s), or of concerns regarding statements received, investments in

line with the client's stated investment objectives the Adviser recommends or makes on behalf of a client, shall be deemed to conform with the client's investment objectives.

### Other Possible Types of Fees or Expenses

#### Custodial, Third-Party Charges & Transactional Costs

Clients can incur certain charges imposed by custodians, brokers, third-party investments, and other third-parties such as fees charged by managers, transfer taxes, wire transfers, or other fees and taxes on brokerage accounts and securities transactions.

Laurel Wealth's Advisory fees in a standard managed Account do not include third-party, custodial or transaction/execution charges. Further examples of these fees include but are not limited to, trading charges for odd-lot differentials and exchange fees, or fixed-income transactional charges, including markups, markdowns, commissions, and dealer profits. A third-party can also impose charges for special services elected by their clients such as electronic fund wire transfers or other electronic fund fees, certificate delivery, American Depositary Receipt (ADR), and transfer taxes mandated by law. Certain portfolios managed by Laurel Wealth will include transactions in foreign securities. These transactions can require execution on foreign stock exchanges, which will result in additional transaction expenses. Laurel Wealth's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses incurred by the client. *(See, "Item 12: Brokerage Practices," for additional information on this topic.)*

#### Mutual Fund & Exchange Traded Funds (ETFs) Fees

Mutual funds and exchange-traded funds also charge fees, which are typically disclosed in each fund's prospectus. These fees will usually include a management fee and other fund expenses, paid by the fund's shareholders. Non-advisory Accounts typically have upfront or back-end charges. Please refer to each funds' prospectus for complete details of each mutual fund and the factors that determine charges and service calculations. *(Factors to consider should include the amount, type(s), transaction charges, the range of advisory services and the ancillary charges of each service.)*

Mutual funds recommended by Laurel Wealth can be available directly from the fund company or through other financial service providers. Laurel Wealth offers funds or share classes of funds that a client might not be qualified to purchase outside of Laurel Wealth. All fees paid to Laurel Wealth for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. Such charges, fees, and commissions are exclusive of and in addition to Laurel Wealth's fee, and Laurel Wealth shall not receive any portion of these commissions, fees, and costs.

#### Selection of Other Advisors / Third-Party Money Managers

Under certain circumstances, Laurel Wealth will direct clients to third-party money managers. The firm will be compensated via a fee share from the advisers to which it directs those clients. The relationship will be disclosed in the contract between Laurel Wealth and each of the third-party advisers, and shared fees will not exceed any limit imposed by any regulatory agency. Fees are paid quarterly in advance.

To assist the client in the selection of a third-party investment manager, Laurel Wealth will typically gather information about the client's financial situation, investment objectives, and reasonable restrictions the client may wish to impose on the management of their Account. Laurel Wealth will not offer advice on any specific securities or other investments regarding this service. Clients can also contact the third-party manager directly managing the Account or sponsoring the program. ***Clients are expected to notify Laurel Wealth of any changes in their financial situation, investment objectives, or Account restrictions.***

Laurel Wealth will periodically review reports provided to the client. Advisor Representatives will contact the client occasionally, as agreed, to review their financial situation and objectives, to communicate information to the third-party manager as warranted, and to assist the client in understanding and evaluating the services provided by the

third-party manager. Laurel Wealth makes every reasonable attempt to ensure that any Investment Advisers that the firm selects or recommends to clients are properly licensed or exempt from registration.

*Please note that lower fees for comparable services to the ones pointed out within this Brochure, can at times, be available from other sources. Services available through Laurel Wealth are available through other companies at differing costs.*

#### Compensation for the Sale of Securities or Other Investment Products

Accepting payment for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, presents a conflict of interest and can give Laurel Wealth or its Advisor Representatives, an incentive to recommend investment products based on the compensation received other than on a client's needs. Laurel Wealth mitigates this conflict by placing client interests ahead of those of the Adviser, its Advisor Representatives, and its Associates, always, and clients have the option to purchase recommended investment products through other brokers or agents not affiliated with the Adviser. Additional details of how Laurel Wealth mitigates conflicts of interest can be found in the firm's comprehensive Code of Ethics document.

### ITEM 6: PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

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Laurel Wealth does not charge performance-based fees (*i.e.*, fees based on a share of capital gains on or capital appreciation of the assets of a client). Consequently, it does not engage in the side-by-side management of Accounts charged a performance-based fee with Accounts charged another type of fee (such as assets under management). As described above, Laurel Wealth provides its services for an Advisory Fee based upon a percentage of a client's assets under management, which is by state and federal requirements.

### ITEM 7: TYPES OF CLIENTS

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Laurel Wealth provides discretionary and non-discretionary investment advice and management supervisory services to the following types of clients:

- Individuals
- High-Net-Worth Individuals
- Trusts, Estates, or Charitable Organizations
- Corporations

#### Minimum Account Size

Laurel Wealth's Account minimum is \$100,000, which can be waived by the Adviser, based on the needs of the client and the complexity of the situation.

### ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

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#### Methods of Analysis

Laurel Wealth's methods of analysis include charting analysis, cyclical analysis, fundamental analysis, and technical analysis.

- *Charting Analysis* - The use of patterns in performance charts, to search for patterns used to help predict favorable conditions for buying and selling a security
- *Cyclical Analysis* - The analysis of business cycles in finding favorable conditions for buying and selling a security

- *Fundamental Analysis* - The analysis of financial statements, the general financial health of companies, and the analysis of management or competitive advantages
- *Technical Analysis* - The analysis of past market data; primarily price and volume

*Clients should be aware that investments carry the risk of loss or depreciation to the value of the client's Account, which they should be prepared to bear.*

### Investment Strategies

Laurel Wealth typically uses long-term trading, short-term trading, short sales, margin transactions, options writing (including covered options, uncovered options, or spreading strategies). Other strategies may be used, if appropriate.

### Material Risks Involved

#### Risk of Loss

All investments present the risk of loss of principal – the risk that the value of securities when sold or otherwise disposed of, may be less than the price paid for the securities. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made. Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, that all investing is subject to risk, and consequently, as noted above, the value of their Account can, at any time be worth more or less than the amount invested. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

Laurel Wealth's investment recommendations are subject to various market, currency, economic, political, and business risks, and such investment decisions are not always profitable. Investing in securities involves significant risk of loss. The Adviser does not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

#### Other Types of Risk

Depending on the distinct types of investments, varying degrees of risk will exist. Global, national, and local economic and market conditions affect the success of investment activities. Economic or market conditions may move unpredictably, or with the correlation of market components behaving outside the range of expectations, which can result in material loss. The below list is not all-inclusive but details many of the risks of which clients should be aware. *(Please note the below list is presented alphabetically, for ease of reading, not in order of importance):*

- *Business* - Risks associated with a specific industry or a particular company within an industry.
- *Credit Risk* - The return on fixed-income investments (e.g., bonds and preferred stock) is dependent on the issuer of the security meeting its commitment to making agreed-upon payments. Credit risk is the risk that the issuer does not meet that obligation.
- *Currency* - Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. *(Currency Risk is also referred to as "Exchange Rate Risk.")*
- *Equity Investment* - Generally refers to buying shares of stocks by an individual or firm in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value; the investment may incur a loss.
- *Exchange-Traded Funds (ETF)* - ETFs are securities that track an index, a commodity, or a basket of assets like an index fund, but that trade like a stock on an exchange. ETFs experience price changes throughout the day as they are bought and sold.

- *Financial* - The possibility that shareholders will lose money when they invest in a company that has debt if the company's cash flow proves inadequate to meet its financial obligations. When a company uses debt financing, its creditors will be repaid before its shareholders if the company becomes insolvent. Financial risk also refers to the possibility of a corporation or government defaulting on its bonds, which would cause those bondholders to lose money.
- *Inflation* - When inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.
- *Interest-Rate* - Fluctuations in interest rates will cause investment prices to fluctuate. *(For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.)*
- *Liquidity* - Liquidity is the ability to convert an investment into cash readily. Generally, assets are more liquid if there is a high interest in a standardized product. *(For example, Treasury Bills are highly liquid, while real estate properties are not.)*
- *Long-Term Trading* - Long-term trading is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risks that will typically surface at various intervals during the time the client owns the investments. These risks include, but are not limited to, inflation (purchasing power) risk, interest-rate risk, economic risk, market risk, and political/regulatory risk.
- *Market* - The price of a security, option, bond, or mutual fund can drop in reaction to tangible and intangible events and conditions. External factors cause this type of risk, independent of a security's underlying circumstances. For example, political, economic, and social conditions can trigger market events.
- *Municipal Securities* - Municipal securities are backed by either the full faith and credit of the issuer or by revenue that is generated by a specific project, like a toll road or parking garage, for which the securities were issued. The latter type of securities could quickly lose value or even become virtually worthless if the expected project revenue does not meet expectations.
- *Mutual Funds* - Investing in mutual funds carries the risk of capital loss, and thus, you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond "fixed income" nature (lower risk) or stock "equity" nature.
- *Non-U.S. Investments* - Investment in non-U.S. issuers or securities principally traded outside the United States may involve certain unique risks due to economic, political and legal developments, including favorable or unfavorable changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, and the imposition of withholding taxes on dividend or interest payments.
- *Political & Legislative* - Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States or those companies that conduct a substantial amount of their business outside of the United States.
- *Real Estate* - Real Estate funds face several kinds of risks that are inherent in this sector of the market. Liquidity risk, market risk, and interest-rate risk are just some of the factors that can influence the gain or loss that is passed on to the investor. Liquidity and market risk tend to have a greater effect on funds that are more growth-oriented, as the sale of appreciated properties depends upon market demand. Conversely, interest rate risk impacts the amount of dividend income that is paid by income-oriented funds.
- *Real Estate Investment Trusts (REITs)* - REITs have specific risks, including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.
- *Reinvestment* - The risk that future proceeds from investments must be reinvested at a potentially lower rate of return. *(Reinvestment Risk primarily relates to fixed income securities.)*
- *Stock Market* - The market value of stocks will generally fluctuate with market conditions. While stocks have historically outperformed other asset classes over the long term, they tend to fluctuate over the

short term because of factors affecting the individual companies, industries, or the securities market. The past performance of investments is no guarantee of future results.

- *Systematic Risks* - These are risks related to a broad universe of investments. These risks are also known as non-diversifiable risks as diversification within the system will not provide risk reduction if the entire system loses value (*e.g., a diversified portfolio of high-quality bonds in a rising interest rate environment or the S&P 500 in a bear market*).
- *Unsystematic Risks* - These are risks uniquely related to a specific investment. This is also known as "diversifiable risks," as, at least theoretically, unsystematic risks may be reduced significantly by diversifying between different investments.

#### Risks of Specific Securities Utilized

Laurel Wealth seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and international equity markets. However, will utilize options writing, margin transactions, and short-sales, which generally hold a higher risk of capital loss; there is a material risk of loss using any of these strategies. The below list is not all-inclusive but details many of the risks of which clients should be aware of concerning specific securities that can be utilized:

- *Margin* - Securities purchased on margin in a client's Account are a firm's collateral for the loan to the client. If the account securities decline in value, so does the value of the collateral supporting loan, and, as a result, the firm can act, such as issuing a margin call and/or selling securities or other assets in any of the accounts the investor may hold with the member, to maintain the required equity in the account. It is essential to understand the risks involved in trading securities on margin fully. These risks include but are not limited to losing more funds than deposited in the margin account, the firm forcing the sale of securities or other assets in the account(s) or selling securities or other assets without contacting the investor, or the investor not being entitled to choose which securities or other assets in their account(s) can be liquidated or sold to meet a margin call. And, a firm can increase its "house" maintenance margin requirements at any time, without the necessity of providing an advance written notice, without entitlement to an extension of time on the margin call.
- *Options Contracts* - An option is a contract that gives the buyer the right and the seller the obligation to buy or sell stock or futures contracts at a specific price for a set period. Options trading can present some or all of the following material risks (*not an exclusive list*):
  - option sellers receive fixed compensation in exchange for accepting an obligation to buy or sell an underlying asset at a price that can fluctuate widely,
  - securities price movement can make exercising options financially impractical; the options would expire worthlessly, which would result in the loss of the entire amount used to purchase the options,
  - options sold may be exercised at any time before expiration, requiring the seller to purchase or sell underlying securities at an unfavorable price,
  - sellers of naked positions run margin risks if the positions go into significant losses (*i.e., liquidation of positions by the broker*),
  - sellers of call options can lose more money than a short seller of that stock on the same rise on the underlying stock,
  - call options can be exercised outside of market hours inhibiting remedies that can be taken by the seller of those options,
  - sellers of stock options may be obligated to buy or sell securities upon exercise even if a trading market is not available or they are unable to perform a closing transaction,
  - the value of the underlying stock may unexpectedly increase or decline, leading to automatic exercises of options against the seller, and
  - options markets have the right to halt trading of options, thus preventing investors from realizing value.

- **Securities Futures Contracts** (on tangibles and intangibles) - A futures contract is a standardized, transferable, exchange-traded contract that requires delivery of a commodity, bond, currency, or stock index, at a specified price, on a specified future date. Unlike options, which the holder may or may not choose to exercise, futures contracts convey an obligation to purchase the underlying asset at a set future date. The holder of a futures contract must have sold it by that date or be prepared to pay for and take delivery of the underlying asset. Material risks can include, but are not limited to, the following:
  - futures contracts have a margin requirement that must be settled daily,
  - there is a risk that the market for a particular futures contract may become illiquid (*this could be the case if a futures price has increased or decreased by the maximum allowable daily limit (and therefore, no one is willing to buy or sell a particular futures contract)*, and
  - the market price for a particular commodity or underlying asset might move against the investor requiring that the investor sell futures contracts at a loss.

Investing carries with it the risk of missing out on more favorable returns that could be achieved by investing in alternate securities or commodities. Any of the above investment strategies may lead to a loss of investments, especially if the markets move against the client. Clients are advised that investing in securities involves the risk of loss of the entire principal amount invested, including any gains; clients should not invest unless they can bear these losses.

***Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that clients, should be prepared to bear.***

#### **Practices Regarding Cash Balances in Client Accounts**

Laurel Wealth usually invests client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper, and government-backed debt instruments. Ultimately, Laurel Wealth's goal is to seek to achieve the highest return on its client's cash balances reasonably possible, using relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account, to allow for the debit of Advisory fees, as applicable.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered Investment Advisers such as Laurel Wealth are required to disclose all material facts regarding any legal or disciplinary events that are or would be material to a client's or prospective client's evaluation of Laurel Wealth or the integrity of its management. Laurel Wealth and certain of its representatives have a disciplinary history involving certain regulatory actions, the details of which are summarized below. Should you have any questions, please contact our Chief Compliance Officer, directly at 858.459.1101.

#### **Undertaking Pursuant to SEC Administrative Proceeding**

On August 26, 2019, LWA consented to an offer of settlement with the SEC and entry of an order alleging violations of Section 206(2), 203(e)(6) and Section 206(4) and Rule 206(4)-7 of the Investment Advisers Act of 1940. The SEC alleged that from at least March 2013 to June 2015, an Investment Adviser Representative ("IAR") associated with Laurel Wealth engaged in undisclosed personal transactions and fraudulently allocated profitable trades in an omnibus account to favored accounts, which Laurel Wealth failed to reasonably supervise and implement policies and procedures designed to prevent such activities. Laurel Wealth had a Code of Ethics and compliance procedure to prevent conflicts of interests by its Advisor Representatives, but the procedures were not implemented until January 2015. As part of the settlement, Laurel Wealth neither admitted nor denied the allegations. Prior to the entry of the order, Laurel Wealth hired a new Chief Compliance Officer, implemented compliance technology for pre-clearing personal trades and revised its Code of Ethics and compliance procedures. For more information, see <https://www.sec.gov/litigation/admin/2019/ia-5330.pdf>.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

Laurel Wealth is an independent registered investment Adviser, unaffiliated with any other financial institution or securities issuer or dealer. The Adviser provides only investment advisory services. The firm is not engaged in any other business activities and offers no other services except those described in this Brochure and within Laurel Wealth's Form ADV 2A Disclosure Brochure. While the Adviser is not engaged in any other business activities and does not offer other services, Laurel Wealth's Advisor Representatives or other Associates may sell other products or provide services outside of their roles with the Adviser.

### Registered Representative of Broker-Dealer

Laurel Wealth is not registered and does not intend to register as a broker-dealer. Certain of Laurel Wealth's Advisor Representatives are also Registered Representatives of registered broker-dealers, members FINRA, and SIPC. When acting in their separate capacity as Registered Representatives, Advisor Representatives will sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity, variable life or other products to clients. And, can receive normal transaction costs, and other compensation in addition to commissions. They may also suggest that clients implement investment advice by purchasing securities products through a commission-based brokerage account, in addition to or instead of a fee-based Laurel Wealth investment-advisory Account. If an Associate is a Representative of a registered broker-dealer, the Associate is not acting in a brokerage capacity or on behalf of Laurel Wealth and the advisory firm in any way, concerning the services provided under a Laurel Wealth Advisory Agreement.

As the receipt of commissions or other compensation in this capacity can create a conflict of interest and an incentive to recommend those products for which the Advisor Representative will receive a commission, as Registered Representative of a securities broker-dealer, the objectivity of the advice rendered to clients could be biased. Laurel Wealth addresses this conflict of interest by requiring Advisor Representatives to disclose these relationships to clients. The Advisor Representatives satisfy this requirement by advising clients of the nature of the transaction or relationship, their role in the transaction and any compensation (including commissions or otherwise) to be paid to them by the brokerage firms with which they are affiliated, at the time any of the above-noted products are purchased. Clients are under no obligation to use the services of the firm's Advisor Representatives in this separate capacity as a Registered Representative of any broker-dealer.

### Futures Commission Merchant, Commodity Pool Operator or Commodity Trading Adviser

Neither the Adviser nor any of its management persons are registered or intend to register as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser, or an Associated Person of the preceding entities.

### Insurance Agents

Several of Laurel Wealth's Advisor Representatives providing investment advice on the firm's behalf are licensed as independent insurance agents through various insurance companies. In these capacities, they may recommend securities, insurance, or other products, and receive separate, yet customary, commission compensation resulting from the purchases and sales of securities, insurance or other products to firm clients from the firms with whom they are presently appointed and with whom they may become appointed in the future. They can also receive other compensation, including bonuses and trail commissions from the products listed above. Insurance commissions earned are separate and in addition to Laurel Wealth's Advisory fees.

This practice presents a conflict of interest because Laurel Wealth Advisor Representatives providing investment advice, who are also insurance agents, may have an incentive to recommend insurance products based on the compensation received, rather than on the client's needs. Laurel Wealth addresses this conflict of interest by requiring them to disclose these relationships to clients. The Advisor Representatives satisfy this requirement by advising clients of the nature of the transaction or relationship, their role as an independent insurance agent and any compensation (including commissions and trails) to be paid by the various insurance companies and received

by them, at the time any of the above-noted products are purchased. If products are purchased through any firms with which they are affiliated. Clients are under no obligation to act upon any recommendations of any Associate or affect any transactions through the Associate if they decide to follow any insurance recommendation suggestions received.

#### Other Designations

Certain Advisor Representatives of Laurel Wealth may also be licensed Real Estate Agents or may hold various other Designations. Laurel Wealth does not provide these services to clients, and the Adviser does not solicit clients to utilize these services. Actions undertaken by Associates are considered outside business activities and are separate from their actions as a Laurel Wealth Associate. As noted above, Associates are required to disclose such relationships to clients. Associates are required to advise clients of the nature of the transaction or relationship in connection with any Designation, their role, and any compensation to be paid by the various designation licensing agencies, authorities or firms, received by them, at the time of any transaction. Clients are under no obligation to act upon any recommendations of any Associate or affect any transactions through the Associate if they decide to follow any insurance recommendation suggestions received.

#### Selection of Other Advisors / Third-Party Money Manager Fees

In certain situations, the Adviser will direct clients to third-party money managers. Laurel Wealth will be compensated via a fee share from those to which it directs those clients. The relationship will be disclosed in each contract between the Adviser and each of the third-party money managers, and the fees shared will not exceed any limit imposed by any regulatory agency. Laurel Wealth will review any third-party money managers used to ensure they fit the criteria for the Adviser's models. Neither Laurel Wealth nor any of its Advisory Representatives will exercise discretion or make investment choices or recommendations in the Accounts held with any third-party money manager. Before selecting such a money manager for clients, Laurel Wealth will confirm the third-party money manager is appropriately licensed and registered as an Investment Adviser.

#### Other Financial Industry Professionals

Laurel Wealth uses third-party resources to help run its business and provide services to its clients, the majority of which are back-office related. Laurel Wealth sources these professionals with a focus on finding the highest value-add, lowest cost providers to service its clients, acting in a client's best interest with fiduciary responsibility. While the Adviser has developed a network of professionals (e.g., accountants, lawyers, and so forth), neither the Adviser nor its Associates receive compensation in return for such use or referrals.

A potential conflict of interest can exist between the interests of Laurel Wealth, its Associates, and those of its advisory clients, as a result of the above financial industry activities and affiliations. Clients are under no obligation to implement any recommended transactions and are not obligated to purchase any securities, insurance products or otherwise from Laurel Wealth or its Advisor Representatives. Laurel Wealth makes no assurance that the above-referenced products or services are available at the lowest available cost. The Adviser mitigates conflicts of interest by placing client interests ahead of those of the Adviser, its Advisor Representatives, and its other Associates, always. Additional details of how the Adviser addresses conflicts are found in the firm's comprehensive Compliance procedures and Code of Ethics document. The full text of the Adviser's Code of Ethics Policy is available upon request.

#### Other Business Relationships

Outside of the relationship referenced herein, neither the Adviser nor any of its management persons have any other material relationships or conflicts of interest with any financial industry participants. Under the Adviser's policies and procedures, Associates are required to obtain pre-approval of any outside business activities in which they intend to engage, and the Adviser monitors for potential conflicts of interest between the Associates and its clients. As noted above, Advisor Representatives are also required to disclose such relationships in their Form ADV 2B - Brochure Supplements.

## ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

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### Code of Ethics

As a Registered Investment Adviser, Laurel Wealth has a statutory duty to oversee the investment advisory activities of its Supervised Personnel (“Associates”) who act on its behalf. The Adviser holds its Associates to a very high standard of integrity and business practices, and in keeping with its fiduciary obligation, imposes upon Associates a duty to deal fairly and to act in the best interest of its clients. And, to:

- render disinterested and impartial advice,
- make suitable recommendations to clients within the context of the total portfolio, given their needs, financial circumstances, and investment objectives,
- exercise a high degree of care to ensure that all material facts are disclosed to clients,
- ensure adequate and accurate representations of its business and other information about the Adviser’s services and investment recommendations are presented to clients,
- disclose any conflicts of interest, and
- promote fair, ethical, and equitable practices.

In keeping with this fiduciary obligation, the Adviser has adopted a Code of Ethics to set forth standards of conduct expected of Associates, that applies to all Associates. The Code covers a range of topics including general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings, and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Code also outlines and prohibits certain types of activities that are deemed to create conflicts of interest (or at least the potential for or the appearance of such a conflict), and details reporting requirements and enforcement procedures.

Associates must conduct all advisory activities in compliance with applicable federal and state securities laws. They must adhere to other applicable laws, rules, and regulations, including applicable laws of foreign jurisdictions, and firm policies and procedures adopted (or that may be adopted in the future). *Per the Code, the firm and its Associates must ensure that the needs of the clients come first, always.* Upon employment or affiliation and at least annually after that, all Associates are required to sign an acknowledgment that they have read, understand, and agree to comply with the firm’s Code.

***The Adviser will provide a copy of the Code to any client or prospective client upon request.***

### Personal Trading by Associates

Laurel Wealth recognizes that the personal investment transactions of members and Associates of the firm demand the application of a high Code of Ethics and requires that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, Laurel Wealth believes if the investment goals of clients and members of the firm are similar, it is logical and even desirable that there be common ownership of some securities.

To prevent conflicts of interest in this area, Laurel Wealth has instituted within its Code a “Personal Trading Policy,” which consists of personal trading and pre-clearance procedures for personal Account transactions effected by Associates, and a transaction reporting system, to monitor compliance with this Policy. The firm’s Code also includes additional policies and procedures to address insider trading and personal securities transactions, as well as many other important safeguards required of its Associates. Upon employment or affiliation and at least annually after that, Associates must sign an acknowledgment stating they have read, understand, and agree to comply with the firm’s Code of Ethics. And, execute an affirmation stating they will conduct business in an honest, ethical, and

fair manner, avoiding all circumstances that might negatively affect or appear to affect, its duty of complete loyalty to all clients.

#### **Recommendations Involving Material Financial Interests**

Laurel Wealth does not recommend that clients buy or sell any security in which a related person to Laurel Wealth has a material financial interest.

#### **Investing Personal Money in the Same Securities as Clients**

As noted above, from time to time, Advisor Representatives of Laurel Wealth will buy or sell securities for themselves that they also recommend to clients. This act can provide an opportunity for Advisor Representatives to buy or sell the same securities before, or after, suggesting the same securities to clients, resulting in their profiting from the recommendations provided. Laurel Wealth's policy is to always transact client business before their own when similar securities are being bought or sold and to document any transactions that could be construed as a conflict of interest, per firm procedures.

#### **Trading Securities at or Around the Same Time as Clients' Securities**

The Adviser does not permit insider trading and has implemented procedures to ensure Associates are observing its policy regarding insider trading. Associates are aware of the rules regarding material non-public information and insider trading and seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients. Associates may buy or sell specific security for their accounts based on personal investment considerations which the Adviser does not deem appropriate to buy or sell for clients. In all cases, transactions are affected based on the best interests of the client.

## **ITEM 12: BROKERAGE PRACTICES**

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#### **Preferred Custodian**

Charles Schwab, TD Ameritrade & Raymond James

Laurel Wealth typically recommends Charles Schwab & Co., Inc. ("Schwab") Institutional, a FINRA-registered broker-dealer and member SIPC, as their "Preferred Custodian." However, may employ either TD Ameritrade ("TDA") or Raymond James ("Raymond James"), also FINRA-registered broker-dealers, members SIPC, at times for certain clients. However, clients will decide their own Custodian at the time of Advisory Agreement execution. And, will enter into a separate Custodial/brokerage Account Agreement directly with their selected Custodian. Laurel Wealth does not and will not open Custodial accounts for clients; the Adviser is independently owned and operated and is not affiliated with any Custodian(s) it may recommend.

#### **Factors Used to Select & Recommend Custodians & Broker-Dealers**

Laurel Wealth seeks to select and recommend a Custodian who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. While the Adviser has designated Charles Schwab as their Preferred Custodian, and TD Ameritrade and Raymond James as alternative Custodians for certain client accounts, occasionally, Laurel Wealth also will review other Custodians in determining the reasonableness of their compensation (e.g., commissions).

In selecting a broker-dealer and reviewing the topic each year, Laurel Wealth will make a good faith determination that the amount of the commission charged is reasonable about the value of the brokerage and research services received, viewed regarding either the specific transactions or Laurel Wealth's overall response to the accounts for which it exercises investment discretion. A wide range of factors will be considered in selecting and recommending a Custodian/broker-dealer, including but not limited to, the following:

- the combination of transaction execution services along with asset custody services (generally without a separate fee for custody),
- the capability to execute, clear and settle trades (buy and sell securities for a client's account),

- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.),
- competitive trading commissions costs,
- reporting tools, including cost basis and 1099 reports facilitating tax management strategies,
- personal money management tools such as electronic fund transfer capabilities, dividend reinvestment programs and electronic communication delivery capabilities,
- financial stability to ensure individual accounts, including primary and backup account insurance,
- the breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.),
- the availability of investment research and tools that assist us in making investment decisions,
- customer service levels and quality of services,
- the competitiveness of the price of those services such as commission rates, margin interest rates, other fees, etc., and the willingness to negotiate them,
- the reputation, financial strength, and stability of the provider,
- the Custodian's prior service to us and our other clients; and
- the availability of other products and services that benefit us, as discussed below.

### **Custodial Support Services**

Custodians are in business serving independent investment advisory firms like Laurel Wealth, providing Advisers and their clients with access to institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to retail customers. Custodial support services are generally available on an unsolicited basis; Laurel Wealth does not have to request them. These various support services help the Adviser manage or administer client Accounts and manage and grow the advisory business. These services are offered at no charge to the Adviser if qualifying amounts of client account assets are maintained with the Custodian. *(Please contact us directly for current qualifying amount numbers.)*

### **Common Support Services**

Below is a description of some common support services Laurel Wealth can receive from their qualified Custodian(s):

#### *Services That Benefit You*

Custodial services include access to a broad range of institutional investment products, execution of securities transactions, and custody of client assets. The investment products available include some of which the Adviser might not otherwise have access to or some that would require a significantly higher minimum initial investment by our clients. Services available are subject to change at the discretion of each Custodian.

#### *Services That Will Not Always Directly Benefit You*

Custodians make available to Laurel Wealth other products and services that benefit the Adviser but will perhaps not directly benefit clients or their Accounts. These products and services assist Laurel Wealth in managing and administering client Accounts. They include investment research, both a Custodian's own and that of third-parties which can be used to service all, some or a substantial number of our client Accounts, in addition to software and other technology that:

- provides access to client account data such as duplicate trade confirmations and Account statements,
- facilitates trade execution and allocate aggregated trade orders for multiple client accounts,
- includes pricing and other market data,
- facilitate the payment of our fees from our clients' accounts, and
- assists with back-office functions, recordkeeping, and client reporting.

### *Services that Generally Benefit Only Us*

Custodians also offer other services intended to help us manage and further develop our business enterprise. These services can include:

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

Custodians provide some of the above services themselves. In other cases, they will arrange for third-party vendors to provide the services. Custodians can also discount or waive their fees for some of these services or pay all or a part of a third-party's costs.

### **Custody & Brokerage Costs**

Laurel Wealth's Custodians generally do not charge Laurel Wealth's client Custodial Accounts separately for their services. They are compensated by charging clients commissions or other fees on the trades they execute or that settle into the Custodial Accounts. For some client Custodial Accounts, Custodians will charge clients a percentage of the dollar amount of assets in the Account, instead of commissions. Custodian commission rates (and asset-based fees) applicable to client Accounts are negotiated based on the Adviser's commitment to maintaining client assets in Accounts at the Custodian. This commitment benefits clients because the overall commission rates and asset-based fees clients pay are generally lower than they would be if the Adviser had not committed. In addition to commissions, or asset-based fees, Custodians charge a flat dollar amount as a "trade away" fee for each trade that Laurel Wealth executes by a different broker-dealer, where the securities bought or the funds from the securities sold are deposited (settled) into a Custodial Account. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. *(For additional details, please refer to each Custodian's specific "Fee Schedule.")*

### **Soft Dollars**

As noted above, an Investment Adviser receives soft dollar benefits from a Custodian when they receive research or other products and services in exchange for client securities transactions or maintaining account balances with the Custodian. The Custodians we use to offer various services to us, including custody of client securities, trade execution, clearance and settlement of transactions, platform systems access, duplicate client statements, research-related products and tools, access to trading desk and block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client Accounts), the ability to direct debit Advisory fees directly from client Accounts, access to an electronic communications network for order entry and Account information, access to no-transaction-fee mutual funds and to certain institutional money managers, and the use of overnight courier services. Receipt of these economic benefits creates a conflict of interest that could directly or indirectly influence us to recommend a Custodian to clients for custody and brokerage services, the Adviser receives a benefit but does not have to produce or pay for the research, products or services received; the custody services are paid for as part of the client's fee.

Brokerage and research services provided by broker-dealers, may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing information regarding the economy, industries, sectors of securities, individual companies, statistical data, taxation, political developments, legal developments, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis and performance analysis. Such research services can be received in the form of written reports, telephone conversations, personal meetings with security analysts and individual company management, and attending conferences. The research services provided by a Research Broker may be proprietary (i.e., research produced by the broker's staff) and a third party (i.e., originates from a party independent from the broker providing the execution services).

In making a good faith allocation between research services and non-research services, a conflict of interest may exist because of Laurel Wealth's allocation of the costs of such services and benefits between those that primarily benefit us and those that primarily help clients. There may be certain client accounts that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the services. The receipt of brokerage and research services from any broker executing transactions for Laurel Wealth's clients will not result in a reduction of the Adviser's customary and normal research activities, and the value of such information is, in Laurel Wealth's view, indeterminable.

Nevertheless, the receipt of such research may be deemed to be the receipt of an economic benefit, and although customary, may be considered to create a conflict of interest between Laurel Wealth and its clients, as services received from our Custodians benefit Laurel Wealth because the Adviser does not have to produce or pay for them if a required minimum of client assets is maintained in accounts at each Custodian. This required minimum can give Laurel Wealth an incentive to recommend that our clients maintain their accounts with a certain Custodian based on our interest in receiving custodial services that benefit our business rather than based on a client's interest in receiving the best value in services and the most favorable execution of their transactions.

In some cases, Laurel Wealth may receive both non-research (e.g., administrative or accounting services, etc.) and research benefits from the services provided by the broker-dealers. When this happens, Laurel Wealth will make a good faith allocation between the non-research and research portion of the services received and will pay "hard dollars" (i.e., Laurel Wealth will pay from their monies) for the non-research part.

#### **Beneficial Interest in Custodial Services**

Client transactions and the transaction compensation charged by our Custodians might not be the lowest compensation Laurel Wealth might otherwise be able to negotiate; clients may pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up). Subject to Section 28(e), Laurel Wealth may pay a broker-dealer a brokerage commission more than that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage and research services provided by the broker.

Because the Adviser believes it is imperative to its investment decision-making process to have access to this type of research and brokerage, Laurel Wealth may, in circumstances in which the Adviser feels the execution is comparable, place certain trades with a broker, which is providing brokerage and research services to the firm. Research services provided by broker-dealers may be used in servicing any or all our clients and may be used in connection with clients other than those making the payment of commissions to a broker-dealer, as permitted by Section 28(e).

There are only a few possible firms that meet our sourcing criteria for providing a reliable and satisfactory custodial platform for our clients. These firms offer similar Soft Dollar Programs, and as such, Laurel Wealth mitigates conflicts of interest by not considering this factor in our selection of an appropriate Custodian. And while the Adviser could have an incentive to cause clients to engage in more securities transactions that would otherwise be optimal to generate brokerage compensation with which to acquire products and services, based on the Adviser's interest in receiving the research or other products or services, rather than on our *client's* interests in receiving the most favorable execution, this conflict is eliminated by having a quantitative investment process that creates trades only when the investment model signals the appropriateness of the trade. Extra trades are not made. Furthermore, the clients receive greater access to advanced research and advanced portfolio management tools that improve the service offered to them. And, soft dollar benefits are used to service all client accounts, not only those that paid for the benefits.

Given the client assets we have under management, we do not believe that maintaining at least the required minimum of those assets per Custodian, to avoid paying each Custodian quarterly service fees, presents a material conflict of interest as Laurel Wealth believes our Custodian selection is in the best interests of our clients. The scope,

quality, and price of the services we receive support the belief that services provided by our Custodian(s) do not benefit only us. Laurel Wealth will put our client's interests first, always.

### **Custodial Statements**

Clients will receive regular statements directly from the Custodian of record on their Account who maintains their investment assets and should receive quarterly statements, at a minimum. The statements will list the client's account positions, activity in the account over the covered period, and other related information. Clients, if they so choose, will also receive confirmations following each brokerage account transaction; they will indicate whether or not they wish to receive such confirmations when completing their Custodial paperwork.

Laurel Wealth's statements or reports may vary from Custodial statements, based on accounting procedures, reporting dates, or valuation methodologies of individual securities.

***Laurel Wealth urges clients to carefully review such statements and compare such official records to the Account statements or reports we may provide them, promptly upon receipt. Clients should also compare the investment performance of their Portfolio against the appropriate benchmark, and all Custodial statements against the statements they may receive from periodic portfolio reports received from Laurel Wealth.***

If a client believes there are any inaccuracies or discrepancies in any reports received, whether from their Custodian or Laurel Wealth directly, or if they do not understand the information in any report, document or statement received, they should promptly, *and in all cases before the next statement cycle*, report any items of concern to Laurel Wealth. Any verbal communications, inquiries, or concerns about their account statements, should be re-confirmed in writing. Laurel Wealth cannot and does not guarantee the accuracy or completeness of any report or any other information provided to the client or Adviser by the Custodian or another service provider to the client.

### **Best Execution**

As a matter of policy and practice, Laurel Wealth conducts initial and on-going due diligence policies, procedures, and practices regarding soft dollars, best execution, and directed brokerage. And, seeks to ensure compliance with the client's written Advisory Agreement (and IPS, if applicable to the type of Account opened), and observe best practices.

Laurel Wealth acts on its duty to seek "best execution." However, a client may pay a commission that is higher than another Custodian might charge to affect the same transaction when it is determined, in good faith, that the commission is reasonable given the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest cost possible, but whether the transaction represents the best qualitative execution, taking into consideration the full range services available, including among others, the value of research provided, execution capability, financial strength, the commission rates, and responsiveness. While Laurel Wealth will seek competitive rates, they may not necessarily obtain the lowest commission rates for client transactions.

### **Directed Brokerage**

In some instances, a client may direct the Adviser in writing to use another Custodian/broker-dealer to execute some or all transactions for the client's Account. The client will negotiate terms and arrangements for the account with the Custodian; Laurel Wealth will not seek better execution services, better prices or be able to aggregate client transactions for execution through other Custodians with orders for other accounts managed by the Adviser. As a result, the client may be unable to achieve the most favorable execution of client transactions; directed brokerage may cost the client money. The client may pay higher commissions or other transaction costs or greater spreads, may not be able to aggregate orders to reduce transaction costs or may receive less favorable prices, on transactions for the account that would otherwise be the case had the client used the Adviser's recommended Custodian(s). Subject to its duty of best execution, Laurel Wealth may decline a client's request to direct brokerage if, in our discretion, such directed brokerage arrangements would result in additional operational difficulties.

### Special Considerations for ERISA Clients

A retirement or ERISA Plan client may direct all or part of portfolio transactions for its Account through a specific Custodian to obtain goods or services on behalf of the Plan. Such direction is permitted provided that the products and services offered are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the Plan.

### Employee Benefit Plan Services

Laurel Wealth does arrange for the execution of securities transactions for 401k Plans as a part of this service. Transactions are executed directly through employee Plan participation.

### Investment Allocation & Trade Aggregation Policy

Laurel Wealth's allocation and aggregation process require fair and equitable treatment of all client orders.

### Client Participation in Transactions

In general, Laurel Wealth makes investment decisions and trades client Accounts in aggregation, particularly when clients have similar objectives. We will seek to be consistent in our investment approach for all Accounts with the same or similar investment goals, strategies, and restrictions.

### Trading Errors

Even with best efforts and controls, trade errors may happen. If a trade is placed for a client's Account, which causes a breach of any regulatory, contractual, investment objective or restriction parameters ("trade error"), such Trade Error will be immediately reported internally for prompt review, direction and/or action, and will be reported directly to the appropriate Custodian for action, to ensure that the client is not disadvantaged.

Laurel Wealth does not use soft dollar credits or the promise of future trade commissions to compensate a Custodian/broker-dealer for absorbing the cost of a trade error. Advisor Representatives may not correct a trade error made in a client's Account by allocating the trade to a different client Account (unless such client was the intended recipient of the trade in the first place). In resolving any trade error, Laurel Wealth's policy is that its clients' interests will come first, always, and trade errors will be resolved promptly and efficiently upon discovery, to help minimize damages. Generally, the client will be reimbursed for any loss incurred due to a Laurel Wealth trade error. Any gains resulting from a Laurel Wealth trade error will either remain with the client or, be accumulated in a trade error account, to offset trade error losses. In all circumstances involving Laurel Wealth trade errors, clients will be "made whole." *In circumstances in which trade errors result from inaccurate instructions provided by the client, the trading error will remain the financial responsibility of the client.*

In summary, client interests are placed ahead of those of the Adviser, always. Clients are not required to effect transactions through any Custodian recommended by the Adviser. Laurel Wealth may but is not required to, accept clients who instruct us to execute all transactions through a particular Custodian. While a conflict of interest exists in that Laurel Wealth may have an incentive to select or recommend a Custodian based on its interest in receiving client referrals, rather than on client interests in receiving the most favorable execution, our preferred Custodians meet the firm's sourcing criteria for providing a reliable and satisfactory custodial platform for its clients. Additional details of how Laurel Wealth mitigates conflicts of interest in this area is found in the firm's comprehensive compliance Policies & Procedures Manual and its Code of Ethics document.

## ITEM 13: REVIEWS OF ACCOUNTS

### Client Account Evaluation

The Adviser has a fiduciary duty to reasonably determine that the investment advice or services provided to clients are suitable. Laurel Wealth's Advisor Representatives regularly evaluate Accounts, per the below schedule. The firm's Director of Operations monitors Advisor Representative conduct, sales, and client Account servicing to

confirm the firm's policy of making tailored investment decisions in the best interests of the client are met based on the client's disclosure of their current financial situation and investment needs, and to verify adherence to the Account stated client investment policies and risk tolerance levels and IPS, if applicable to the type of Account opened.

### Frequency of Account Reviews & Review Triggers

Laurel Wealth utilizes leading-edge portfolio management software and exception reporting to manage and monitor client Accounts continuously. Account deviations from determined asset allocation parameters and additions or withdrawals of individual securities from the defined model can trigger a review.

#### Annual Reviews

Advisor Representatives are required to maintain current information about each client and are obligated to extend to clients the opportunity to discuss their Account(s), at least annually, at a minimum. Annually, they are required to document an extensive review of each Account's investment policy statements and objectives. At the time of the annual meeting, or at other times as appropriate, they will note any updates or changes to a client's financial situation, goals, and objectives. The review will occur for confirmation and updates needed to a client's Suitability Profile. And, for changes in a client's financial circumstances and investment profile, to maintain equilibrium with stated investment objectives, for fluctuations that may have occurred in these objectives, and to determine if a modification of a client's imposed restrictions on the management of the Account, or if new reasonable Account restrictions, should occur.

#### Quarterly Reviews

Advisor Representatives will also perform reviews of client advisory Accounts no less than quarterly, for consistency with investment strategy and performance, among other things. While Advisor Representatives confirm receipt of Custodial account statements by their clients shortly after account inception, they will reconcile client accounts with Custodian statements/account information in full, also during these quarterly reviews.

#### Periodic Reviews

Advisor Representatives will conduct periodic reviews of client Accounts to ensure Account adherence to the client's investment mandates. These reviews are made to detect trading irregularities and unusual positions, to evaluate securities for investment, to confirm the continued appropriateness of asset allocation and security selection decisions, and to verify the correct execution of account transactions. They may also meet with clients as frequently as is agreed upon or as is requested by the client, or by the Portfolio Manager.

#### Non-Periodic Reviews

Non-periodic reviews of client accounts can be triggered by changes in an account holder's financial situation (such as retirement or termination of employment), by physical moves or relocations, receipt of an inheritance, or by changes in personal, tax, or financial status. Reviews are triggered by material market, economic or political events, macroeconomic, or company-specific events.

#### Firm Reviews

While Advisor Representatives provide ongoing advice to clients, conduct routine reviews of client portfolios and are responsible for communicating with clients at least annually, representative samples of select client Accounts will also be reviewed periodically by firm Principals, the Director of Operations or another designated supervisor. A firm Principal (or their Designee) will also review select client Accounts to identify issues or activity which may require further research and action.

During such reviews, the firm will use a variety of analysis tools to aid them in their assessment. A series of surveillance, exception and trading reports or any combination of these and other review methods, will be used, to help facilitate the examination. Reviews are based on the client's investment objectives, risk tolerance, financial and personal profile, or any combination of any of the above, in addition to other considerations. Supervisory

review of Accounts can also include general Account activity and other triggering factors such as fees charged, performance, products used or securities concentration, and any other triggering factors as determined appropriate for analysis by the reviewing party.

### Content & Frequency of Regular Reports Provided to Clients

The Adviser and/or the Account Custodian shall provide the client with periodic Account reports.

#### Custodial Statements

Clients will receive regular statements directly from the Custodian of record on their Account who maintains their investment assets and should receive quarterly statements, at a minimum. The statements will list the client's account positions, activity in the account over the covered period, and other related information. Clients, if they so choose, will also receive confirmations following each brokerage account transaction; they will indicate whether or not they wish to receive such confirmations when completing their Custodial paperwork. Laurel Wealth's statements or reports may vary from Custodial statements, based on accounting procedures, reporting dates, or valuation methodologies of individual securities.

***Laurel Wealth urges clients to carefully review such statements and compare such official records to the Account statements or reports we may provide them, promptly upon receipt. Clients should also compare the investment performance of their Portfolio against the appropriate benchmark, and all Custodial statements against the statements they may receive from periodic portfolio reports received from Laurel Wealth.***

#### Firm-Generated Statements

Clients can also receive periodic reports from Laurel Wealth, and additional reports, if a supplementary review is requested. These reports will provide the client with a comprehensive overview of the Account's market valuation, relative market performance, and success in achieving the client's investment objectives. Laurel Wealth's statements or reports may vary from Custodial statements, based on accounting procedures, reporting dates, or valuation methodologies of individual securities.

If a client believes there are any inaccuracies or discrepancies in any reports received, whether from their Custodian or Laurel Wealth directly, or if they do not understand the information in any report, document or statement received, they should promptly, and in all cases before the next statement cycle, report any items of concern to Laurel Wealth. Any verbal communications, inquiries, or concerns about their account statements, should be re-confirmed in writing. Laurel Wealth cannot and does not guarantee the accuracy or completeness of any report or any other information provided to the client or Adviser by the Custodian or another service provider to the client.

## ITEM 14: CLIENT REFERRALS & OTHER COMPENSATION

### Client Referrals

Laurel Wealth receives client referrals, which may come from current clients, estate planning attorneys, accountants, Associates, personal friends of Associates, and other similar sources. Neither the Adviser nor any related person has any arrangement, either oral or in writing, wherein it directly or indirectly provides compensation for these referrals (i.e., where it is paid cash by or receives some economic benefit, including referral fees or any form of remuneration, commissions, equipment, or non-research services, from a professional or non-client about advising clients), outside of the benefits noted herein.

### Other Compensation

Laurel Wealth receives an economic benefit from its Custodians in the form of the support products and services it makes available to us, and other independent Investment Advisers that have their clients maintain Accounts at such Custodians. These products and services, how they benefit us, and the related conflicts of interest are described herein. The availability to Laurel Wealth of Custodial products and services is not based on the Adviser giving

particular investment advice, such as buying particular securities for our clients. (See, “Item 12: Brokerage Practices” for additional information on this topic.)

## ITEM 15: CUSTODY

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### Custody

Laurel Wealth neither accepts nor permits the firm or its Associates to obtain custody of client assets including cash, securities, acting as trustee, provide bill paying services, to have password access to client accounts to control Account activity, or to have any other form of client asset control. Custody of client assets is maintained with independent and separate Qualified Custodians who take possession of the cash, securities, and other assets in client Accounts.

The Adviser will not take title to any assets or have the authority to withdraw funds from the client’s Accounts, except to cover payment of the agreed to “Advisory Management Fees” specified within the client’s Advisory Services Agreement, or at the client’s specific and written direction. All checks or wire transfer to fund client Accounts must be made out to/sent to the client’s Custodian. Laurel Wealth has no access to the assets in the client’s Custodial accounts or to the income produced from such accounts and has no physical custody of client funds and securities except for the authorized deduction of client Advisory fees, as detailed herein. The client’s relationship with their Custodian is governed by a separate account agreement between the client and their Custodian. Custodians hold all client assets in brokerage accounts at the Custodial firm and buy and sell securities upon instructions received by the Adviser or the client. All funds and securities are delivered between the client and the Custodian. The Adviser is not responsible for any acts or omissions of the client’s Custodian and will not be responsible for ensuring client Custodian’s comply with the terms of their agreement with the client about the client’s Custodial brokerage Account. Neither will Laurel Wealth be accountable for the payment of the client’s brokerage or Custodial charges or fees; the client is responsible for their expenses billed directly by their Custodian.

Regardless of the above, under federal regulations, Laurel Wealth is deemed to have custody of client assets if a client authorizes the Adviser to instruct the Custodian to deduct our Advisory fees directly from their Account. Concerning such transactions, Laurel Wealth observes the following points noted in the SEC’s No-Action Letter of February 21, 2017, for any Advisory Fee debited directly from a client’s Custodial Account.

For client Accounts in which Laurel Wealth directly debits Advisory fees:

1. the client will provide written instruction to their Custodian, that includes the client’s signature, Laurel Wealth’s name, and either the Adviser’s address or their account number at the Custodian to which the transfer should be directed,
2. the client will authorize their Custodian, in writing, to direct transfers to Laurel Wealth, either on a specified schedule or from time to time,
3. the Custodian will perform appropriate verification of the instruction, such as a signature review or other method to verify the client’s authorization, and provides a transfer of funds notice to the client promptly after each transfer,
4. the client has the ability to terminate or change the instruction to their Custodian at any time,
5. the Adviser has no authority or ability to designate or change the identity of the client’s instruction,
6. the Adviser will maintain records showing they are not a related party of the client’s Custodian, and
7. the Custodian will be asked to and will be responsible for sending the client, in writing, an initial notice confirming the above instruction and an annual notice reconfirming the instruction.

The client will provide the above written limited authorization instructions directly to their Custodian and will request the Custodian provide a “transfer of funds” notice to them at their address of record after each Advisory fee payment transfer occurs. *(The client will provide these instructions either on the qualified Custodian’s form, via*

execution of “EXHIBIT I - Custodian Identification, Acknowledgment & Instructions” of their Laurel Wealth Advisory Agreement, or separately.)

### Custodial & Other Statements

Clients will receive account statements directly from the Custodian to the email, or postal mailing address of record which the client provided to the Custodian. They will receive at least quarterly statements from their Custodian reflecting all disbursements for the account, including the amounts of any assessed Advisory fees. ***Clients should review statements provided by their Custodian promptly upon receipt.*** Laurel Wealth urges clients to compare the statements they receive directly from their Custodian with the information outlined in any reports or periodic portfolio statements received from the Adviser, to ensure the accuracy of all account transactions. The reports received from Laurel Wealth may vary from Custodial statements based on Accounting procedures, reporting dates, or valuation methodologies of certain securities. Laurel Wealth encourages clients to promptly raise any questions about the custody, safety, or security of their assets. (See, “Item 12: Brokerage Practices” for additional information on Laurel Wealth’s Custodial relationships.)

## ITEM 16: INVESTMENT DISCRETION

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### Investment Discretion

Laurel Wealth provides investment supervisory services on a discretionary and non-discretionary basis. Details of investment discretion and non-discretion (account management style) are disclosed fully to the client before any advisory relationship commences.

#### Discretionary Authorization

For discretionary Account management, clients provide their Advisor Representative with discretionary management style authority via a limited power-of-attorney. They will indicate this management style preference in their written Advisory Agreement and will affirm their selection on the contract with their chosen Custodian. Under the discretionary authorization, Laurel Wealth will execute securities transactions for clients without having to obtain specific client consent before each transaction. Clients may impose restrictions on investing in certain securities or types of securities. Discretionary authority is limited to investments within a client’s Managed Accounts.

#### Non-Discretionary Authorization

Under non-discretionary authorization, Advisor Representatives must notify the client and obtain permission before the purchase or sale of each security within their Account. Clients may decide not to invest in particular securities or types of securities and may refuse to approve securities transactions.

## ITEM 17: VOTING CLIENT SECURITIES

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### Proxy Voting Policy

Laurel Wealth will not ask for, nor accept voting authority for client securities; clients will receive proxy material directly from the issuer of the security or the Custodian. Under circumstances where Laurel Wealth receives proxy material on behalf of a client involving any security held in the client’s Account, the Adviser will promptly forward such material to the client’s attention. Proxy voting for plans governed by ERISA must conform to the document in effect. In the case where the investment manager is listed as the fiduciary responsible for voting proxies, the responsibility will be designated to another fiduciary and reflected in the Plan document.

It is the client’s responsibility to vote their proxy. Or, may contact their Advisor Representative directly, with questions about a particular solicitation. However, *Laurel Wealth shall not be deemed to have proxy voting authority solely because of providing advice or information about a particular proxy vote to a client in either of the above situations*; Clients should contact the security issuer, before making the final proxy voting decisions.

### **Class Action Suits, Claims or Bankruptcies**

A class action is a procedural device used in litigation to determine the rights of and remedies, if any, for large numbers of people whose cases involve common questions of law and fact. Class action suits often arise against companies that publicly issue securities, including securities recommended by investment advisors to clients. The client or their Agent will have the responsibility for class actions, claims or bankruptcies, involving securities purchased for or held in their account. Laurel Wealth does not provide such services and is not obligated to forward copies of class action notices received to either clients or their Agents.

## **ITEM 18: FINANCIAL INFORMATION**

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### **Balance Sheet**

Laurel Wealth neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, does not need to include a balance sheet with this Brochure.

### **Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Laurel Wealth nor its management has any financial conditions that are likely to impair the Adviser's ability to meet contractual commitments to clients reasonably.

### **Bankruptcy Petitions in Previous Ten Years**

Laurel Wealth has not been the subject of a bankruptcy petition.

## **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

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Laurel Wealth became a Federally-Registered Investment Adviser effective May 20, 2011.

## **BUSINESS CONTINUITY PLAN**

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Laurel Wealth has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services, or key people. The Business Continuity Plan covers natural disasters such as snowstorms, hurricanes, tornados, and flooding. The BCP covers human-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, a chemical event, biological event, T-1-communications line outage, Internet outage, railway accident, and aircraft accident. Electronic files are backed up daily and archived offsite.

### **Alternative Offices**

Alternate offices are identified to support ongoing operations in the event of significant business disruption if Laurel's headquarters office is unavailable. Laurel Wealth will observe the BCP process if a disaster dictates moving its office to an alternate location.

### **Summary of Business Continuity Plan**

A summary of the business continuity plan is available by contacting us directly at 858.459.1101 or @ [www.laurelwa.com](http://www.laurelwa.com).

## **INFORMATION SECURITY PROGRAM**

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Laurel Wealth maintains an Information Security Program to reduce the risk that client's personal and confidential information is breached. Please contact us directly at 858.459.1101 with any questions regarding this Program.

## PRIVACY PRACTICES

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Investment Advisers, like all providers of personal financial services, are now required by law to inform their clients of their policies regarding privacy of client information. Investment Advisors have been and continue to be bound by professional standards of confidentiality that are even more stringent than those required by law. Therefore, we have always protected your right to privacy.

### **Types of Nonpublic Personal Information We Collect**

We collect nonpublic personal information about you that is either provided to us by you or obtained by us with your authorization.

### **Parties to Whom We Disclose Information**

For current and former clients, we do not disclose any nonpublic personal information obtained during our practice except as required or permitted by law. Permitted disclosures include, for instance, providing information to our employees and, in limited situations, to unrelated third parties who need to know that information to assist us in providing services to you. In all such cases, we stress the confidential nature of the data being shared.

### **Protecting the Confidentiality & Security of Current & Former Client's Information**

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and in some cases, to comply with professional guidelines. To guard your nonpublic personal information, we maintain physical, electronic, and procedural safeguards that comply with our professional standards.

Our client's privacy, our professional ethics, and the ability to provide clients with quality financial services are very important to us. Please contact us directly at 858.459.1101, with any questions regarding our Privacy Policy.