



**LOVETT ADVISORS LLC**  
**Wealth Management Solutions**

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**February 27, 2019**  
**FORM ADV PART 2A – DISCLOSURE BROCHURE**

This Form ADV 2A (“Disclosure Brochure”) provides information about the qualifications and business practices of Lovett Advisors LLC (“Lovett Advisors” or the “Advisor”). If you have any questions about the contents of this Disclosure Brochure, please contact us at 302-250-4740.

Lovett Advisors LLC is a registered investment advisor. The information in this Disclosure Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional information about Lovett Advisors and its Advisory Persons is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 283929.

## Item 2 Material Changes

Form ADV 2 is divided into two parts: Part 2A (the "Disclosure Brochure") and Part 2B (the "Brochure Supplement"). The Disclosure Brochure provides information about a variety of topics relating to an Advisor's business practices and conflicts of interest. The Brochure Supplement provides information about Advisory Persons of Lovett Advisors.

Lovett Advisors believes that communication and transparency are the foundation of its relationship with Clients and will continually strive to provide its Clients with complete and accurate information at all times. Lovett Advisors encourages all current and prospective Clients to read this Disclosure Brochure and discuss any questions you may have with us. And of course, we always welcome your feedback.

### Material Changes

There have been no material changes to this Disclosure Brochure since the last filing and distribution to Clients.

### Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of Lovett Advisors.

At any time, you may view the current Disclosure Brochure on-line at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 283929. You may also request a copy of this Disclosure Brochure at any time, by contacting us at 302-250-4740.

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## Item 4 Advisory Business

Lovett Advisors LLC ("Lovett Advisors" or the "Advisor"), is a limited liability company formed under the laws of the State of Delaware. The Advisor is 100% owned by KLFA LLC and is operated by Kim Lovett (Managing Member and Chief Compliance Officer). The Advisor is registered with the U.S. Securities and Exchange Commission ("SEC"). This Disclosure Brochure provides information regarding the qualifications, business practices, and the advisory services provided by Lovett Advisors.

Lovett Advisors offers investment advisory services to individuals, high net worth individuals, trusts and estates (each referred to as a "Client").

The Advisor serves as a fiduciary to Clients, as defined under the applicable laws and regulations. As a fiduciary, the Advisor upholds a duty of loyalty, fairness and good faith towards each Client and seeks to mitigate potential conflicts of interest. Our fiduciary commitment is further described in our Code of Ethics. For more information regarding our Code of Ethics, please see Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

### Investment Advisory Services

The Advisor may perform the following services for its Clients:

- Coordination and administration of appropriate accounts and related asset transfers.
- Potential selection of an appropriate independent manager to fulfill investment objectives.
- Active tax and cost efficient investment portfolio management for assets under the discretionary authority of our firm including manager and strategy selection.
- Monitoring and management of investment managers and vehicles selected for implementation.
- As necessary, rebalancing, policy and/or strategy modification and/or manager replacements.
- As requested, implementation of cost and tax efficient liquidations for unanticipated cash flow needs.
- As requested, provision of preliminary tax information (e.g. realized and unrealized gains, taxable interest and dividends) for tax planning.
- Maintain and update as requested, a "Capital Needs Analysis", an analytical process that evaluates the likelihood of meeting stated goals based on assets, liabilities and relevant economic assumptions.

Lovett Advisors shall provide investment advisory services specific to the needs of each Client. Before providing investment advisory services, Lovett Advisors will ascertain each Client's investment objectives. Thereafter, Lovett Advisors will allocate or recommend that the Client allocate investment assets consistent with the Client's investment objectives. The Client may, at any time, impose reasonable restrictions, in writing, on Lovett Advisors' services.

After reviewing your investment objectives and tolerance for risk, you will execute an Investment Policy Statement ("IPS") that selects one of the following investment strategies:

Ultra Conservative Growth and Income - Seeks high current income with very modest growth of capital. While income and capital preservation are the primary focus, the portfolio will seek to provide growth of capital (excluding current income) equal to inflation, as measured by the Core

Consumer Price Index - "CPI". This portfolio will generally have a high weighting to cash and traditional fixed income and a low weighting to equity related strategies. The Ultra Conservative investment objective is equivalent to an ultra-low risk profile.

Conservative Growth and Income - Seeks high current income with modest growth of capital. While income and capital preservation are the primary focus, the portfolio will seek to provide growth of capital (excluding current income) equal to inflation ("CPI"). This portfolio will generally have a higher weighting of cash and traditional fixed income and a lower weighting to equity related strategies. The Conservative investment objective is equivalent to a low risk profile.

Moderate Growth and Income - Seeks growth of capital as well as current income. The portfolio will invest across diversified strategies specializing in fixed income, equity, real assets, and private investments with relatively equal weightings between equity and fixed income related strategies. The Moderate investment objective is equivalent to a balanced, medium risk profile.

Fixed Income Only - Seeks to preserve principal value, maintain adequate liquidity to meet Client demands, and maximize total return. This portfolio will generally utilize investment grade cash and fixed income securities such as US Treasuries, agencies, municipal bonds, agency mortgage-backed securities and corporate debt. The Fixed Income Only investment objective is equivalent to a very low risk profile.

At no time will Lovett Advisors accept or maintain custody of a Client's funds or securities, except for the limited authority as outlined in Item 15 – Custody. All Client assets will be managed within their designated account[s] at the Custodian, pursuant to the terms of the investment advisory agreement. Please see Item 12 – Brokerage Practices.

### **Use of Independent Managers**

Lovett Advisors may recommend that a Client utilize one or more unaffiliated investment managers or investment platforms (collectively "Independent Managers") for all or a portion of a Client's investment portfolio. In such instances, the Client may be required to authorize and enter into an advisory agreement with the Independent Manager[s] that defines the terms in which the Independent Manager[s] will provide investment management and related services. The Advisor may also assist in the development of the initial policy recommendations and managing the ongoing Client relationship. The Advisor will perform initial and ongoing oversight and due diligence over the selected Independent Manager[s] to ensure the Independent Managers' strategies and target allocations remain aligned with its Clients' investment objectives and overall best interests. The Client, prior to entering into an agreement with unaffiliated investment manager[s] or investment platform[s], will be provided with the Independent Manager's Form ADV 2A (or a brochure that makes the appropriate disclosures).

### **Financial Planning and Financial Consulting**

We may provide financial planning/financial consulting services to you to assist with long or short-term objectives as defined by you. Such services are not ongoing in nature and are generally completed within six months of the date of the engagement. Assistance with development of a comprehensive financial plan may include, but is not limited to, advice on the following issues:

- Cash flow management
- Retirement planning

- Risk Management
- Estate Planning

Further, our firm may provide a review and update of your existing financial plan. Consultation or planning services may include any of the following at your specific request:

Review of estate planning issues.

- Review of your overall financial situation and issue of a written report of recommendations.
- Review of estate planning issues.
- Preparation of a written asset allocation report and associated recommendations.
- Preparation of a portfolio analysis report and associated recommendations.
- Hourly consultation services on a myriad of issues raised by you, on an as-needed basis.
- Review of cash flow issues.
- Review of investment risk analysis.
- General tax issues and projections.
- Review of fringe benefit considerations.
- Business related issues to include multi-generational family plan.
- Other miscellaneous services based on your unique needs.

#### **Wrap Fee Programs**

Lovett Advisors does not manage or place Client assets into a wrap fee program. Investment management services are provided directly by Lovett Advisors.

#### **Assets Under Management**

As of December 31, 2018, Lovett Advisors manages \$115,000,000 in Client assets, all of which are on a discretionary basis. Clients may request more current information at any time by contacting the Advisor.

## **Item 5 Fees and Compensation**

#### **Investment Advisory Services**

Investment advisory fees are paid monthly in arrears pursuant to the terms of the investment advisory agreement. Investment advisory fees are based on the market value of assets under management using an average daily balance on a monthly basis. Investment advisory fees are based on the following schedules:

Equity and Balanced Accounts

First \$2,000,000	1.25%
Next \$3,000,000	.75%
Next \$5,000,000	.60%
Next \$10,000,000	.30%
\$20,000,000 +	Negotiated

#### Fixed Income Only

First \$2,000,000	.65%
Next \$3,000,000	.50%
\$5,000,000+	Negotiated

#### Enhanced Cash Management

First \$2,000,000	.35%
Next \$3,000,000	.25%
Next \$5,000,000	.20%
Next \$10,000,000	.15%
\$20,000,000 +	Negotiated

The investment advisory fee in the first month of service is prorated from the inception date of the account[s] to the end of the first month. Fees may be negotiable at the sole discretion of the Advisor. The Client's fees will take into consideration the aggregate assets under management with the Advisor. All securities held in accounts managed by Lovett Advisors will be independently valued by the Custodian. Lovett Advisors will not have the authority or responsibility to value portfolio securities.

The Advisor's fee is exclusive of, and in addition to, brokerage fees, transaction fees, and other related costs and expenses, which may be incurred by the Client. However, the Advisor shall not receive any portion of these commissions, fees, and costs.

Investment advisory fees are calculated by the Advisor or its delegate and deducted from the Client's account[s] at the Custodian. The Advisor or its delegate shall send an invoice to the Custodian indicating the amount of the fees to be deducted from the Client's account[s] at the respective month-end date. The amount due is calculated by applying the monthly rate (annual rate divided by 12) to the market value of the average daily account balance during the month. Clients will be provided with a statement, at least quarterly, from the Custodian reflecting deduction of the investment advisory fee. It is the responsibility of the Client to verify the accuracy of these fees as listed on the Custodian's brokerage statement as the Custodian does not assume this responsibility. Clients provide written authorization permitting advisory fees to be deducted by Lovett Advisors directly from their account[s] held by the Custodian as part of the investment advisory agreement and separate account forms provided by the Custodian.

Either party may terminate the investment advisory agreement, at any time, by providing advance written notice to the other party. The Client may also terminate the investment advisory agreement within five (5) business days of signing the Advisor's agreement at no cost to the Client. After the five-day period, the Client will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the Client. The Client's investment advisory agreement with the Advisor is non-transferable without the Client's prior consent.

**Use of Independent Managers**

For Clients referred by the Advisor to an Independent Manager, the Client's fee will be billed in accordance with the investment advisory agreement and deducted from the Client's account[s] at the Custodian and a portion of the fee will be provided to the Independent Manager.

In the event that a Client should wish to terminate their relationship with the Independent Manager, the terms for termination will be set forth in the respective agreements between the Advisor and that Independent Manager.

**Financial Planning Fees**

Financial planning is typically included as part of the investment advisory process. There is no separate charge for financial planning.

**Other Fees and Expenses**

Clients may incur certain fees or charges imposed by third parties, other than Lovett Advisors, in connection with investments made on behalf of the Client's account[s]. The Client is responsible for all custody and securities execution fees charged by the Custodian. The fees charged by Lovett Advisors are separate and distinct from these custody and execution fees.

In addition, all fees paid to Lovett Advisors for investment advisory services are separate and distinct from the expenses charged by mutual funds and ETFs to their shareholders, if applicable. These fees and expenses are described in each fund's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. A Client may be able to invest in these products directly, without the services of Lovett Advisors, but would not receive the services provided by Lovett Advisors which are designed, among other things, to assist the Client in determining which products or services are most appropriate for each Client's financial situation and objectives. Accordingly, the Client should review both the fees charged by the fund[s] and the fees charged by Lovett Advisors to fully understand the total fees to be paid. Please refer to Item 12 – Brokerage Practices for additional information

**Compensation for Sales of Securities**

Lovett Advisors does not buy or sell securities and does not receive any compensation for securities transactions in any Client account, other than the investment advisory fees noted above. However, Lovett Advisors' Advisory Persons may separately earn compensation as described below.

Advisory Persons are also registered representatives of MerCap Securities, LLC ("MerCap"). MerCap is a registered broker-dealer (CRD No. 156607), member FINRA, SIPC. In one's separate capacity as a registered representative of MerCap, an Advisory Person may implement securities transactions under MerCap and not through Lovett Advisors. In such instances, an Advisory Person will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by an Advisory Person in one's capacity as a registered representative is separate and in addition to the Advisor's fees. This practice presents a conflict of interest because an Advisory Person who is a registered representative has an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on the Client. Clients are not obligated to implement any recommendation provided by the Advisor nor Advisory Persons. Neither the Advisor nor Advisory Persons will earn ongoing investment advisory fees in connection with any products or services implemented in the



Advisory Person's separate capacity as a registered representative Please see Item 10 – Other Financial Industry Activities and Affiliations.

Advisory Persons are also licensed as independent insurance professionals. As an independent insurance professional, an Advisory Person may earn commission-based compensation for selling insurance products, including insurance products they sell to Clients. Insurance commissions earned by an Advisory Person are separate and in addition to Lovett Advisors' advisory fees. This practice presents a conflict of interest because an Advisory Person providing investment advice on behalf of the Advisor who is also an insurance agent has an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on Client needs. However, Clients are under no obligation, contractually or otherwise, to purchase insurance products through any Advisory Person affiliated with the Advisor.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

Lovett Advisors does not charge performance-based fees for its investment advisory services. The fees charged by Lovett Advisors are as described in Item 5 above and are not based upon the capital appreciation of the funds or securities held by any Client.

Lovett Advisors does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its Clients.

## **Item 7 Types of Clients**

Lovett Advisors provides investment advice to individuals, high net worth individuals, trusts and estates. The amount of each type of Client is available on the Advisor's Form ADV Part 1A. These amounts may change over time and are updated at least annually by the Advisor. Lovett Advisors generally requires a minimum relationship size of \$500,000 in assets under management for managed accounts, however, this minimum may be reduced at the sole discretion of the Advisor.

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

We recognize that our Clients have different investment objectives and risk tolerances based upon their goals, life style, financial commitments and a myriad of other factors. Our firm works closely with you to develop a Statement of Investment Policy and Objectives that helps define a particular investment strategy. We may then manage the account directly or may choose an independent manager that would, in our opinion, be able to execute a strategy consistent with the one defined by you. Our firm's methods of analysis include fundamental analysis and technical analysis of securities and markets.

Fundamental Analysis - Fundamental analysis examines trends in economic data, interest rates, corporate earnings, corporate balance sheets, and credit agency ratings to determine the probability of future earnings and subsequently the prospects for future stock or Bond appreciation. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Technical Analysis - Technical analysis on the other hand takes into consideration factors such as chart trends, Volatility index, put/call ratios, momentum, volume and more. The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

To over simplify, fundamental analysis looks at the factors that could possibly affect the performance of a company or group of companies and are more long term in nature, while technical analysis considers factors that may be more market driven and more short term in nature. We review financial news, corporate rating services, research materials prepared by others, annual reports, prospectuses and filings with the Securities and Exchange Commission. Our firm also conducts interviews and due diligence with respect to the investment strategies and capabilities of prospective money managers.

To fulfill a particular investment strategy, our firm or the independent manager may elect long term purchases, short term purchases or trading strategies (securities sold within 30 days).

Long-Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. Using a long-term purchase strategy generally assumes the financial markets will go up in the long- term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

Short-Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Short-Term Trading - short-term trading, in general, is selling securities within 30 days of purchasing the same securities as an investment strategy. Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk. This may include buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses. However, there is a risk that frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless specifically agreed otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of account size or any other factors, you are strongly recommended to consult with a tax professional prior to and throughout the investing of your assets.

Moreover, your custodian may default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of Client investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to us immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. Lovett Advisors will assist Clients in determining an appropriate strategy based on their tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals. While the methods of analysis help the Advisor in evaluating a potential investment, it does not guarantee that the investment will increase in value. Assets meeting the investment criteria utilized in these methods of analysis may lose value and may have negative investment performance. The Advisor monitors these economic indicators to determine if adjustments to strategic allocations are appropriate. More details on the Advisor's review process are included below in Item 13 – Review of Accounts.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account[s]. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a Client's account. The Advisor shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform the Advisor of any changes in financial condition, goals or other factors that may affect this analysis.

The risks associated with a particular strategy are provided to each Client in advance of investing Client accounts. The Advisor will work with each Client to determine their tolerance for risk as part of the portfolio construction process. Following are some of the risks associated with the Advisor's strategy:

#### **Market Risks**

The value of a Client's holdings may fluctuate in response to events specific to companies or markets, as well as economic, political, or social events in the U.S. and abroad. This risk is linked to the performance of the overall financial markets.

#### **Stock Risks**

Investments in specific asset classes entail different investment risks. For example, small cap stocks tend to be more volatile than large or mid-cap stocks. International stocks and emerging markets include risks due to currency fluctuations, foreign taxes, political instability and possibility of illiquid markets. Real estate investing includes risks such as declines in the value of real estate, changing economic conditions, tax laws or property taxes. Investing in Commodities is also highly volatile and subject to changing economic conditions and the vagaries of speculators among other risks. Market Neutral and Long/Short strategies entail potential liquidity risks and frequently higher fees.

#### **Bond Risks**

Bonds are subject to interest rate risk, which is the chance that bond prices overall will decline

because of rising interest rates. Interest rate risk will vary based on the percentage of bonds owned in a given strategy. In addition, long-term bonds have a higher interest rate risk and are much more sensitive to interest rate changes than are the prices of short-term bonds. In addition, bonds are also subject to credit risk, the chance that a bond issuer will fail to pay interest and principal in a timely manner or, that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Finally, some bonds may be subject to call risk. This is the chance that in a declining interest rate environment, the issuer of a bond will repay or call securities with higher coupons before their maturity dates.

#### ETF Risks

The performance of ETFs is subject to market risk, including the possible loss of principal. The price of the ETFs will fluctuate with the price of the underlying securities that make up the funds. In addition, ETFs have a trading risk based on the loss of cost efficiency if the ETFs are traded actively and a liquidity risk if the ETFs has a large bid-ask spread and low trading volume. The price of an ETF fluctuates based upon the market movements and may dissociate from the index being tracked by the ETF or the price of the underlying investments. An ETF purchased or sold at one point in the day may have a different price than the same ETF purchased or sold a short time later.

#### Mutual Fund Risks

The performance of mutual funds is subject to market risk, including the possible loss of principal. The price of the mutual funds will fluctuate with the value of the underlying securities that make up the funds. The price of a mutual fund is typically set daily therefore a mutual fund purchased at one point in the day will typically have the same price as a mutual fund purchased later that same day.

**Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with the Advisor.**

### **Item 9 Disciplinary Information**

Lovett Advisors and its Supervised Persons have never been involved in any legal or disciplinary action with any federal or state statutory or regulatory agency. Likewise, our firm, our partners, officers or employees have never been subject to disciplinary action by self-regulatory organizations. Our backgrounds are available on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 283929.

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

#### Broker-dealer Affiliation

As noted in Item 5 – Fees and Compensation, Advisory Persons are also registered representatives of MerCap. In one's separate capacity as a registered representative, an Advisory Person will typically receive commissions for the implementation of recommendations for commissionable transactions. Clients are not obligated to implement any recommendation provided by an Advisory Person. Neither the Advisor nor an Advisory Person will earn ongoing investment advisory fees in connection with any services implemented in an Advisory Persons separate capacity as a registered representative.

#### Insurance Agency Affiliations

As noted in Item 5 – Fees and Compensation, Advisory Persons are also licensed as

independent insurance professionals. Implementations of insurance recommendations are separate and apart from an Advisory Persons role with Lovett Advisors. As an insurance professional, an Advisory Person may receive customary commissions and other related revenues from the various insurance companies whose products are sold. Advisory Persons are not required to offer the products of any particular insurance company. Commissions generated by insurance sales do not offset regular advisory fees. This may cause a conflict of interest in recommending certain products of the insurance companies. Clients are under no obligation to implement any recommendations made by an Advisory Person or the Advisor.

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

Lovett Advisors has implemented a Code of Ethics (the “Code”) that defines our fiduciary commitment to each Client. This Code applies to all persons associated with Lovett Advisors (our “Supervised Persons”). The Code was developed to provide general ethical guidelines and specific instructions regarding our duties to you, our Client. Lovett Advisors and its personnel owe a duty of loyalty, fairness and good faith towards each Client. It is the obligation of Lovett Advisors’s Supervised Persons to adhere not only to the specific provisions of the Code, but also to the general principles that guide the Code. The Code covers a range of topics that address employee ethics and conflicts of interest. To request a copy of our Code, please contact us at 302-250-4740.

Lovett Advisors allows our Supervised Persons to purchase or sell the same securities that may be recommended to and purchased on behalf of Clients. Lovett Advisors does not act as principal in any transactions. In addition, the Advisor does not act as the general partner of a fund, or advise an investment company. Lovett Advisors does not have a material interest in any securities traded in Client account[s].

Lovett Advisors allows our Supervised Persons to buy or sell securities that are also recommended to Clients. This practice may create a situation where the Advisor and its Supervised Persons are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if our firm did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed before those of our firm’s clients) and other potentially abusive practices.

The Advisor has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of our firm’s “Access Persons.” The Advisor’s securities transaction policy requires that Access Person of the Advisor must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Furthermore, Access Persons must provide the Chief Compliance Officer with a quarterly transaction report, detail all trades in the Access Person’s account during the previous quarter; and on an annual basis, each Access Person must provide the Chief Compliance Officer with a written report of the Access Person’s current securities holdings. However, at any time our firm has only one Access Person, he or she shall not be required to submit any securities report described above.

While Lovett Advisors allows our Supervised Persons to purchase or sell the same securities

that may be recommended to and purchased on behalf of Clients, such trades are typically aggregated with Client orders or traded afterwards. **At no time will Lovett Advisors, or any associated person of Lovett Advisors, transact in any security to the detriment of any Client.**

## **Item 12 Brokerage Practices**

### **Recommendation of Custodian[s]**

Lovett Advisors does not have discretionary authority to select the broker-dealer/custodian for custodial and execution services. The Client will engage the broker-dealer/custodian (herein the "Custodian") to safeguard Client assets and authorize Lovett Advisors to direct trades to this Custodian as agreed upon in the investment advisory agreement. Further, Lovett Advisors does not have the discretionary authority to negotiate commissions on behalf of our Clients on a trade-by-trade basis. The Client may grant the Advisor authority to place trades away from the Custodian. Please see Prime Brokerage Authorization below.

Where Lovett Advisors does not exercise discretion over the selection of the Custodian, it may recommend the Custodian to Clients for custody and execution services. Clients are not obligated to use the Custodian recommended by the Advisor and will not incur any extra fee or cost associated with using a Custodian not recommended by Lovett Advisors. However, the Advisor may be limited in the services it can provide if the recommended Custodian is not engaged. Lovett Advisors may recommend the Custodian based on criteria such as, but not limited to, reasonableness of commissions charged to the Client, services made available to the Client, its reputation and/or the location of the Custodian's offices. Lovett Advisors typically recommends that Clients establish accounts at TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer and member FINRA/SIPC. TD Ameritrade offers to independent investment Advisors services, which include custody of securities, trade execution, clearance and settlement of transactions. The Advisor receives some benefits from TD Ameritrade through its participation in the program. Please see the disclosure under Item 14 below.

### **Research and Other Soft Dollar Benefits.**

Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are Client assets, the firm could be considered to have a conflict of interest in allocating Client brokerage business: it could receive valuable benefits by selecting a particular broker or dealer to execute Client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the Advisor might otherwise be able to negotiate. In addition, the firm could have an incentive to cause Clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

The firm's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As required by Section 28(e), the firm

will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD Ameritrade is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular Client, but also the value of those services and products in our performance of our overall responsibilities to all of our Clients. In some cases, the commissions or other transaction fees charged by a particular broker- dealer for a particular transaction or set of transactions may be greater than the amounts another broker- dealer who did not provide research services or products might charge.

Research and Brokerage Products and Services. "Research" products and services we may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to the firm in the performance of its investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services (beyond traditional execution services) consist primarily of computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. We generally use such products and services in the conduct of our investment decision-making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

Other Uses and Products. The firm may use some products or services not only as "research" and as brokerage (i.e., to assist in making investment decisions for Clients or to perform functions incidental to transaction execution) but for our administrative and other purposes as well. In these instances, we make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable making investment decisions and executing transactions is paid with commission dollars and we bear the cost of the balance. Our interest in making such an allocation differs from Clients' interest, in that we have an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that the firm must pay directly.

Mutual Fund Transactions. Although shares of no-load mutual funds can be purchased and redeemed without payment of transactions fees, we may, consistent with our duty of best execution, determine to cause Client accounts to pay transaction fees that may be higher than those obtainable from other broker- dealers when purchasing shares of certain no-load mutual funds through TD Ameritrade in order to obtain "research". This research may not be used for the exclusive benefit of the Clients who pay transaction fees in purchasing mutual fund shares.

Amount and Manner of Payment. A broker-dealer through which the firm wishes to use soft dollars may establish "credits" arising out of brokerage business done in the past, which may be used to pay, or reimburse the firm for, specified expenses. In other cases, a broker-dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate it. The actual level of transactional business the firm does with a particular broker-dealer during any period may be less than such a suggested level, but may exceed that level and may generate unused soft dollar "credits." We do not exclude a broker-dealer from

receiving business simply because the broker-dealer has not been identified as providing soft dollar research products and services, although we may not be willing to pay the same commission to such broker-dealer as we would have paid had the broker-dealer provided such products and services.

Although not a material consideration when determining whether to recommend that a Client utilize the services of a particular broker-dealer/custodian, Registrant may receive from TD Ameritrade (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service Client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to Client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist the Registrant in managing and administering Client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

The Advisor's Clients do not pay more for investment transactions effected and/or assets maintained at TD Ameritrade as a result of this arrangement. There is no corresponding commitment made by the Registrant to TD Ameritrade or any other entity to invest any specific amount or percentage of Client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

### **Brokerage Practice**

Brokerage Referrals - Lovett Advisors does not receive any compensation from any third party in connection with the recommendation for establishing an account.

Directed Brokerage - All Clients are serviced on a "directed brokerage basis", where Lovett Advisors will place trades within the established account[s] at the Custodian as directed by the Client. Further, all Client accounts are traded within their respective account[s]. The Advisor will not engage in any principal transactions (i.e., trade of any security from or to the Advisor's own account) or cross transactions with other Client accounts (i.e., purchase of a security into one Client account from another Client's account[s]). Lovett Advisors will not be obligated to select competitive bids on securities transactions and does not have an obligation to seek the lowest available transaction costs. These costs are determined by the Custodian.

Prime Brokerage - The Advisor may clear securities transactions either through the Custodian[s] or through prime brokerage relationships established with these Custodians. Should an account make use of prime brokerage, the Client is required to execute an additional agreement with the Custodian[s] authorizing the Advisor to trade away from and settle at the established account[s] at the Custodian[s]. The Custodian[s] charge an additional trade-away fee for these transactions in addition to the normal securities transaction costs.

### **Aggregating and Allocating Trades**

The primary objective in placing orders for the purchase and sale of securities for Client



accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the Custodian. Lovett Advisors will execute its transactions through the Custodian as authorized by the Client. Lovett Advisors may aggregate orders in a block trade or trades when securities are purchased or sold through the Custodian for multiple (discretionary) accounts in the same trading day. If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner that is consistent with the initial pre-allocation or other written statement. This must be done in a way that does not consistently advantage or disadvantage any particular Client accounts.

### **Item 13 Review of Accounts**

Kim Lovett, Managing Member and Chief Compliance Officer, reviews all accounts on a regular basis. More frequent reviews may be necessary due to your individual circumstances, economic conditions, returns from various asset classes or general factors regarding the prospects for the financial markets. In addition to internal reviews, Ms. Lovett endeavors to meet with Clients no less than annually to review their investment objectives.

We may provide our Clients with a quarterly report, in addition to reports received from the Custodian, showing among other things, securities held, transactions in the account[s] in the past quarter, security cost, security market value and performance returns as well as advisory fees paid to the Advisor. Such reports are generally accompanied by a performance analysis and quarterly Client letter/commentary. You are encouraged to compare reports and values received from our firm with those of the Custodian and to promptly report any discrepancies.

### **Item 14 Client Referrals and Other Compensation**

#### **Participation in Institutional Advisor Platform**

As disclosed under Item 12 above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to Clients, Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic

benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

### **Referral Relationships**

If a Client is introduced to Lovett Advisors by either an unaffiliated or an affiliated solicitor (herein "Solicitor"), Lovett Advisors may pay the Solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act as well as any applicable state securities regulations. Referral fees are paid solely from Lovett Advisors' investment management fee and does not result in any additional charges or higher fees to the Client. The Solicitor will provide the Client with a copy of Lovett Advisors' Disclosure Brochure along with a Solicitor's Disclosure Statement containing the terms and conditions of the solicitation arrangement including compensation.

### **Item 15 Custody**

Lovett Advisors does not accept or maintain custody of any Client accounts, except for the authorized deduction of the Advisor's fees. All Clients must place their assets with a "qualified custodian". Clients are required to engage the Custodian to retain their funds and securities and direct Lovett Advisors to utilize that Custodian for the Client's security transactions. Clients should review statements provided by the Custodian and compare to any reports provided by Lovett Advisors to ensure accuracy, as the Custodian does not perform this review. For more information about custodians and brokerage practices, see Item 12 - Brokerage Practices.

### **Item 16 Investment Discretion**

Lovett Advisors generally has discretion over the selection and amount of securities to be bought or sold in Client accounts without obtaining prior consent or approval from the Client. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the Client and agreed to by Lovett Advisors. Discretionary authority will only be authorized upon full disclosure to the Client. The granting of such authority will be evidenced by the Client's execution of an investment advisory agreement containing all applicable limitations to such authority. All discretionary trades made by Lovett Advisors will be in accordance with each Client's investment objectives and goals.

### **Item 17 Voting Client Securities**

Lovett Advisors does not vote Client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the Client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the Client's investment assets. Clients will receive their proxies or other solicitations directly from their Custodian. Clients may contact the Advisor to discuss any questions they may have with a particular solicitation.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

## **Item 18 Financial Information**

Neither Lovett Advisors, nor Ms. Lovett have any adverse financial situations that would reasonably impair the ability of Lovett Advisors to meet all obligations to its Clients. Neither Lovett Advisors, nor any of its Advisory Persons have been subject to a bankruptcy or financial compromise. Lovett Advisors is not required to deliver a balance sheet along with this Disclosure Brochure as the Advisor does not collect fees of \$1,200 or more for services to be performed six months or more in advance.