

## **Legal Advantage Investments, Inc.**

[www.legaladvantageinvestments.com](http://www.legaladvantageinvestments.com)

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### **FORM ADV PART 2A BROCHURE**

This Brochure provides information about the qualifications and business practices of Legal Advantage Investments, Inc. If you have any questions about the contents of this Brochure, please contact us at the phone number listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about our firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Legal Advantage Investments, Inc. is 118131.

Legal Advantage Investments, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated March 2, 2023, we have the following material changes to report:

- We have amended Item 4, *Advisory Business*, to describe the CF Cash Program now offered by our firm. For clients desiring access to an alternative cash management opportunity that may help maximize the earning potential of cash while maintaining insurance to protect the cash account, we make available the Cantor Fitzgerald Insured Cash Program ("CF Cash"), a private label program established and administered by StoneCastle Network, LLC ("StoneCastle") and introduced to us by CF Cash, LLC, a subsidiary of Cantor Fitzgerald L.P.. The CF Cash program is a federally-insured structured bank deposit vehicle, with direct custodial accounts owned by the depositor.
- We have amended Item 5, *Fees and Compensation*, to update our fee schedule and disclose fees for the CF Cash Program. We have eliminated the separate fee schedule for assets under management of \$1,000,000 or less and instead now have one standard fee schedule. We have also disclosed that we earn a 10-basis point fee from StoneCastle, for any client assets deposited into CF Cash.
- We have amended Item 12, *Brokerage Practices*, to update our disclosure related to soft-dollars and to indicate that we no longer accrue soft-dollars as of August 1, 2022 and no longer utilize previously accrued soft-dollars as of June 2023. We have also amended this Item to disclose that as of September 2023, we generally recommend the brokerage and custodial services of Charles Schwab & Co., Inc. ("Schwab"), a registered broker/dealer, member SIPC.
- We have amended Item 13, *Review of Accounts*, to amend the disclosure related to the reports we deliver to clients. In addition to regular and customary statements from account custodians, we will provide quarterly reports for clients whose accounts exceed \$2,000,000 in value at the end of each quarter.
- We have amended Item 15, *Custody*, to provide disclosure about standing letters of authorization for third-party asset transfers. For clients who execute a standing letter of authorization to allow us to make third-party asset transfers on their behalf, we will be deemed to have limited custody. However, we are not subject to a surprise independent CPA examination because we comply with the SEC's 7-step test for firms with this type of limited custody.

You may request a complete copy of this brochure free of charge at any time, by contacting us at the telephone number listed on the Cover Page.

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## Item 4 Advisory Business

### Description of Services

Legal Advantage Investments, Inc. is a registered investment adviser based in Los Altos Hills, California. We are organized as a corporation under the laws of the State of California. We have been providing investment advisory services since 1993. David Spector is our principal owner. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Continuous Portfolio Management Services**
- **Periodic Management and Investment Recommendation Services**
- **Financial Planning Services**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this Brochure, the words "we", "our" and "us" refer to Legal Advantage Investments, Inc. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm. The use of these terms is not intended to imply that there is more than one individual associated with this firm providing investment advice to clients. At this time, David Spector is the sole member of our firm providing investment advice to clients.

### Continuous Portfolio Management Services

We offer discretionary portfolio management services. Our investment advice is tailored to meet our understanding of each client's needs and investment objectives, so asset allocations and investment selections may differ for each client. If you retain our firm for portfolio management services, we will meet with you in person or by telephone/videoconference to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a target asset allocation for your accounts under management and a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf that we believe are in your best interests. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance and will adjust the portfolio as we believe appropriate based upon our investment research, changes in economic or market conditions, and changes you have informed us of in your financial circumstances. It is important that you update us whenever your financial circumstances or goals change materially.

As part of our portfolio management services, you select one of the following growth strategy models for our management of the stock portion of your account(s):

The *Legal Advantage Hedge Strategy* may establish both long and short positions in individual stocks. These positions may be held as long-term investments or as short-term trades, as we see fit. Accounts managed pursuant to this strategy may not be highly diversified and may also engage in margin transactions. If you select this strategy, you may also provide written instructions authorizing us to purchase or sell options on individual equity securities and/or market indices for your account. Accounts managed under this strategy may also hold cash reserves, invest in fixed income instruments, and in closed-end or open-end mutual funds and/or exchange-traded funds (ETFs). While we intend that the short positions, if any, will to some extent hedge the market risk inherent in the long positions, the Legal Advantage Hedge Strategy should be considered our highest risk strategy.

The *Legal Advantage Growth Strategy* may establish long positions in individual stocks similar to those in the Legal Advantage Hedge Strategy, but will not engage in short sales, purchases on margin, or trading in options. No single position shall account for more than fifteen percent (15%) of an account's assets at the time of purchase. Accounts managed under this strategy may also hold cash reserves, invest in fixed income instruments, and in closed-end or open-end mutual funds and/or exchange-traded funds (ETFs).

The *Legal Advantage Growth and Income Strategy* may establish long positions in individual stocks with a principal goal of capital appreciation and a secondary goal of producing some current income. Accounts managed under this strategy will not engage in short sales, purchases on margin, or trading in options. No single position shall account for more than fifteen percent (15%) of an account's assets at the time of purchase. Of the portion of such accounts invested in stocks (as opposed to cash, mutual funds, or fixed income instruments) at least thirty percent (30%) shall be invested in stocks paying at least some regular dividend. Accounts managed under this strategy may also hold cash reserves, invest in fixed income instruments, and in closed-end or open-end mutual funds and/or exchange-traded funds (ETFs).

For clients who prefer to invest in funds rather than directly in individual stocks or bonds, we offer *Managed Fund Portfolios and/or ESG Managed Fund Portfolios*, which make new investments solely in either open-end mutual funds, closed-end mutual funds, exchange-traded funds (ETFs), or a combination thereof. Funds will be selected to create an overall portfolio designed to meet your investment goals based upon discussion with you or more detailed financial planning work, for which there will generally be a separate fee charged. *Managed Fund Portfolios and/or ESG Managed Fund Portfolios* may also hold cash reserves, but will not generally invest in individual stocks or bonds (although such securities in the account at the time it is transferred to our management may remain in the account at our discretion).

As part of our investment process, we consider many factors including the possible impact of known environmental, social, and governance ("ESG") company policies on a company's business outlook. For clients who prefer to exclude certain investments from their portfolios based on ESG factors alone, we offer *ESG Managed Fund Portfolios*. These portfolios are similar to our other Managed Mutual Fund Portfolios, except that they will only make new investments in funds that self-identify as ESG funds. ESG funds can include, but are not limited to, those that select companies based on their stated commitment to one or more ESG factors; for example, companies with policies aimed at minimizing their negative impact on the environment, social issues, or companies that focus on governance principles and transparency. ESG practices of such funds may also entail screening out companies in certain sectors or that, in the view of the fund manager, demonstrate poor management of ESG risks and opportunities or are involved in issues that are contrary to the fund's own principles. Like with our other mutual fund portfolios, we will customize an asset allocation of such funds for you designed to best meet your investment goals given the investment restrictions imposed. It is possible that limiting a portfolio to ESG funds may result in a less diversified portfolio and lower long-term investment returns than a fund portfolio we would otherwise recommend without such limitations. A portfolio manager's ESG practices may significantly influence performance. Because securities may be included or excluded based on ESG factors rather than traditional fundamental analysis or other investment methodologies, the account's performance may differ (either higher or lower) from the overall market or comparable accounts that do not employ similar ESG practices. Some mutual funds or ETFs that consider ESG may have different expense ratios than other funds that do not consider ESG factors. Paying more in expenses will reduce the value of your investment over time if not offset by other factors such as better performance.

For institutional clients such as charitable foundations, we offer to manage investments pursuant to a mutually agreed Investment Policy Statement.

When a client has multiple brokerage accounts managed by advisor such as a taxable account and a tax-deferred account (like an IRA account), advisor will generally manage the accounts together as an overall investment portfolio. Each individual account may well not be diversified, as the advisor will consider tax and other implications in deciding in which account to place each given investment while focusing on achieving the desired diversification and asset mix for the client (depending on the investment strategy chosen, advisor's knowledge of the client, and advisor's discretion) across all the accounts taken in aggregation. Therefore, client (except in special cases agreed to in advance by advisor) will choose a single investment strategy described above that will apply to all of that client's accounts managed by advisor.

If your company retirement plan offers you the option to set up a self-directed brokerage account within the plan for which a limited power of attorney for discretionary trading only (but not for transfers between accounts or withdrawals of funds) may be granted to an outside advisor, you may include such account in the accounts we continuously manage for you on a discretionary basis upon your granting our firm such a limited power of attorney on the self-directed portion only of your plan.

While managed accounts will generally follow one of the above models that you select, you may submit an existing portfolio for management that may contain securities that may not fit within one of the above categories, with the understanding that the portfolio will be restructured over time to more closely model one of the above strategies.

You may also direct us in writing to not purchase certain specified securities for your account. For example, you may wish to provide such instructions when you have a relationship with a public company and believe it is inappropriate to hold any securities of such company in your account. We will not render any opinion regarding such issues and, other than using our best efforts to follow your written instructions upon actual receipt, we will have no responsibility to further investigate such issues. We will of course attempt to contact you if we believe we will be unable to follow your written instructions you submit. If you are concerned about any potential liability arising from the improper ownership or trading of securities in companies with whom you may have a special relationship, you should consult legal counsel.

Not every account managed pursuant to one of the above strategies will contain the same securities. Issues such as the liquidity needs, risk tolerance, and investment goals of individual clients, the valuation and trading liquidity of certain securities at the time an account is opened or money is deposited or withdrawn, and the nature of securities transferred from a pre-existing account will affect the actual holdings of a particular account. For clients with multiple accounts within their managed portfolio, individual accounts may often be less diversified than the overall client portfolio, as we will consider factors such as the tax status and liquidity needs of each account in determining where to place your individual investments. In general, tax-sheltered accounts will hold a different mix of securities than taxable accounts as we seek to increase both the total return and the after-tax rate of return for your entire portfolio.

In addition to managing assets pursuant to the above portfolio strategies, the Advisor may offer certain clients the opportunity to participate in investments based on special analysis concerning companies involved in significant legal or regulatory matters. The number of clients allowed to participate in such high-risk investments will be sharply limited due to the limited liquidity and high volatility often associated with the securities of such companies. An additional fee equal to an agreed percentage of the assets to be eligible for such investments may be negotiated with such clients on an individual basis, and there is currently no standard schedule.



If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm. You may limit our discretionary authority with respect to specifically identified securities only (not by industry group or class of securities) that will not be purchased for your account by providing our firm with your restrictions and guidelines in writing as described above.

### **Rollover Recommendations**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that we reasonably believe is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially any time you move assets from an account which we do not currently manage or charge an advisory fee on to an account which we manage for an advisory fee. Specifically with regards to retirement accounts, we benefit financially from the rollover of your assets from a retirement account on which we do not currently charge an advisory fee to an account that we manage or provide investment advice for compensation, because the transferred assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

### **Periodic Management Services and Investment Recommendation Services**

For select smaller accounts typically consisting entirely of mutual funds or exchange traded funds for which the client does not desire continuous management by our firm, we may offer consulting services where we monitor your account and adjust it on a periodic basis for a flat quarterly consulting fee.

We also offer add-on services for our existing portfolio management clients where we currently manage a portion of their assets on a continuous basis, but the client also has other accounts, such as an employer 401(k) or self-directed retirement plan account typically consisting entirely of mutual funds or exchange traded funds, for which the client desires only periodic monitoring and adjustment and/or recommendation services.

We offer periodic advice regarding your investments in various company retirement plans, stock option plans, employee stock purchase plans ("ESPP"), and/or restricted stock unit ("RSU") plans having a third party administrator (such as Fidelity, TIAA-CREF or Vanguard) as an optional add-on to your

continuous portfolio management services. Under this service we generally do not take discretionary authority over such accounts, but rather provide periodic advice that it is your responsibility to implement should you choose to do so.

We also offer periodic advice regarding your investments in 529 college savings plans as an optional add-on to your continuous portfolio management services. Under this service we will generally have a limited power of attorney to make changes to your investments in the 529 plan as we deem appropriate to meet your objectives. We will review these plans at least quarterly and will assist in the process of helping you make contributions or take withdrawals from the plan, but we will not have the authority to make contributions or withdrawals on your behalf.

Third party administrators of employer plans or 529 plans often do not provide an easy means for Advisor to download information about client plan accounts into Advisor's portfolio tracking software. In such cases, we may inform you, and you will agree, that you will rely upon the third party administrator performance information on such plans, and the Advisor's role shall be limited to providing advice on the plan account that Advisor believes most appropriate to meet client's investment goals, and reviewing such investments quarterly or more often. In such cases where we do not track periodically advised accounts in our computer system or provide detailed performance information on such accounts, and will only monitor such investments periodically, we charge a flat quarterly consulting fee, payable in arrears, for such services.

#### **Financial and Estate Planning Evaluations; Other Financial Advice**

Generally, we offer financial planning and other advice only to existing or prospective portfolio management clients. Our client contracts specify a certain amount of our time per quarter that is included in the portfolio management fee and can be used for financial planning advice related to the assets under management. This time is non-cumulative and therefore cannot be carried over to the next quarter.

Should requested financial planning advice exceed the scope of services included in the client contract, or should we agree to offer such services to someone other than a current portfolio management client, then we will perform such services and make recommendations at a fixed point in time for a fixed negotiable fee or on an hourly basis.

Services offered for a fixed fee or hourly payment will terminate once we deliver a final report and final bill, unless the client contract specifically provides otherwise. Unless expressly agreed to in the client contract, Advisor assumes no obligation to update any financial advice after delivery of a final report.

Advisor's financial planning advice may cover some or all of the following areas:

- Estate Planning and Wealth Transfer
- Tax Planning
- Employee Stock Option Planning
- Retirement Planning
- Education Savings Planning
- Insurance Planning
- Budget and Debt Management

A general Financial Planning Review requires you to complete a questionnaire detailing your current assets and liabilities, future earnings power, information on current and potential dependents, planning goals and other related matters. Questions concerning all of the above listed areas of financial planning will generally be included in order to pinpoint areas needing further attention. There will be an



initial meeting or telephone conversation to discuss issues raised by the questionnaire, after which we will prepare an overview containing recommendations for consideration or action. A final meeting or phone conversation will be held to discuss this written report.

An Estate Planning Review involves a review of your existing estate plan, including ownership of assets, gifting program, and existing will or trust documents in light of your estate planning goals as determined through the completed questionnaire or direct conversation. Various mechanisms of family wealth transfers, such as grantor and charitable trusts, trusts or custodial accounts for minors, family limited partnerships, and others, may be discussed as deemed appropriate. A report containing recommendations to be considered and discussed with an estate-planning attorney will be prepared. Although David Spector has legal training, he does not currently practice law. We do not prepare legal documents and we will specifically instruct you to consult with your attorney to discuss how and whether to implement any of our recommendations.

An Education Savings Plan Review will determine an estimated amount of future dollars needed for the education goals specified by you. Various vehicles for meeting these goals, such as 529 plans, Coverdell Education Savings Accounts (formerly Education IRAs), American Opportunity Tax Credits, student loans, withdrawals from IRA accounts, education savings bonds, custodial accounts for minors, and others may be discussed. Financial aid eligibility may also be discussed.

A Retirement Planning Review will help you determine the amount needed to fund your desired retirement lifestyle, and help develop a plan to save and invest appropriately to meet those needs. Related issues, such as replacement health insurance for early retirees, and how to handle employer pension and stock option issues upon retirement, may also be discussed.

If you wish to limit the focus of a review to a particular investment portfolio, an Investment Strategy Review may be appropriate and less expensive. Based upon your questionnaire responses and a review of the assets in the specified portfolio, we will prepare a written report discussing appropriate investment goals, recommended portfolio allocation, analysis of current assets and whether they meet your investment goals, and specific recommendations of portfolio changes designed to better meet those goals.

We may also offer to conduct research or render advice related to any specified investment or financial planning issue for an hourly fee.

You should be aware that services comparable to those provided by us are available from sources other than our firm and that some providers of comparable services may charge lower fees for such services than we do.

### **Wrap Fee Programs**

We do not sponsor or participate in a wrap fee program.

### **Types of Investments**

We primarily offer advice on equity securities, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, US Government securities, options contracts on securities and indices, and others. We may also offer advice on investments in real estate, mortgages, or mortgage-backed securities.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities. You must provide these restrictions to our firm in writing and we will use best efforts to implement them.

### **CF Cash Program**

For clients desiring access to an alternative cash management opportunity that may help maximize the earning potential of cash while maintaining insurance to protect the cash account, we make available the Cantor Fitzgerald Insured Cash Program ("CF Cash"), a private label program established and administered by StoneCastle Network, LLC ("StoneCastle") and introduced to us by CF Cash, LLC, a subsidiary of Cantor Fitzgerald L.P.. StoneCastle and its affiliates are leading administrators of insured cash solutions for many of the world's largest institutions. StoneCastle has the discretionary authority to select program banks and allocate deposits into these banks, while ensuring that each account's deposits remain at or below the FDIC insurance limit per bank. Accounts are opened with StoneCastle's program custodian bank and not through our firm or Cantor Fitzgerald. Legal Advantage Investments, Inc., StoneCastle, and CF Cash, LLC are not affiliated. The CF Cash program is a federally-insured structured bank deposit vehicle, with direct custodial accounts owned by the depositor. StoneCastle establishes a minimum initial deposit to participate in the CF Cash program, as specified in the account opening documents, and no custodian bank will hold more than the current FDIC insurance limit. Deposits to custodian bank accounts are backed by the full faith and credit of the US Government, and are insured through the Federal Deposit Insurance Corporation. If you wish to participate in the CF Cash program, you do so at your discretion and you will receive separate account opening disclosures and an application from StoneCastle. If you desire, we will assist you in signing up for this program and help facilitate the transfer of funds between your accounts. Higher yields on your cash reserves may be available with other solutions, especially if you do not require FDIC insurance on your entire cash balance or you are willing to directly open and manage multiple bank accounts yourself. We recommend clients discuss their specific needs regarding their cash reserves with us and consider alternative options before participating in this program.

### **Assets Under Management**

As of December 31, 2023, we provide continuous management services for \$201,790,345 in assets on a discretionary basis. Of this total, \$168,207,734 are assets of clients paying investment management fees to our firm, and \$33,582,611 are assets in family and/or proprietary accounts held at our Custodian that are managed by our firm without charge. Please see Item 10 and Item 12 herein to understand how we manage the potential conflicts of interest between fee paying client accounts and the family and proprietary accounts we manage alongside them.

We also manage \$2,804,304 in client assets on a non-continuous basis for clients who pay a consulting fee for us to manage or consult on these assets on a periodic basis (most often quarterly).

## **Item 5 Fees and Compensation**

The advisory fee charged to a client in connection with our portfolio management services utilizing the *Legal Advantage Growth Strategy*, the *Legal Advantage Growth and Income Strategy*, *Managed Fund Portfolios* and/or *ESG Managed Fund Portfolios* is based upon a percentage of total assets advisor is managing for that client, as adjusted ("AAUM"), and is set forth in the following annual fee schedule:

### Standard Annual Fee Schedule for Clients

Adjusted Assets Under Management	Annual Fee
First \$5,000,000	1.00%
Next \$5,000,000	0.80%
Above \$10,000,000	0.60%

The fee for investment management is billed quarterly in arrears by applying the above annual fee schedule to the AAUM for the quarter and multiplying the result by 25% to obtain the quarterly fee. In addition, during any period of time for which Client has chosen the Legal Advantage Hedge Strategy, an additional fee of 0.35% annually on AAUM up to \$5,000,000 shall apply. There is no additional fee for the Legal Advantage Hedge Strategy on AAUM above the first \$5,000,000. While atypical, in some cases a client may pay fees pursuant to a different fee schedule in effect at the time their agreement was initially signed with our firm. In those cases, the fee will be specified in the agreement and may be higher than the above schedule if that client's AAUM is under \$1,000,000.

AAUM shall be calculated each quarter using the value of a client's account at the end of the quarter ("End Value") with a time-pro-rated adjustment for any inflows into client's account (deposits or transfers of assets in) or outflows from client's account (withdrawals or transfers out) occurring during the quarter.

The higher annual fee for the *Legal Advantage Hedge Strategy* on the first \$5,000,000 of assets under management relative to Advisor's other strategies is intended to compensate Advisor for the additional time and effort involved in trading on margin, buying or selling options, and selling securities short as allowed under this strategy. In addition, the supply of stock available to sell short is sometimes limited, and Advisor believes it is appropriate to charge an additional fee for access to such opportunities.

Included in the base fee is a minimum of one hour of non-cumulative consultation time per quarter, or one hour of non-cumulative consultation time per quarter per million dollars under management at the start of the quarter (i.e., five hours for any quarter in which a client's account assets under management are between \$5,000,000 and \$6,000,000 at the start of the quarter), solely for the purpose of discussion relating to a client's account(s). Any consultation time relating to a client's account(s) in excess of that included in the base fee, or relating to assets or matters not included in a client's account(s), shall be provided to the client at our current hourly rate for existing clients (to be agreed to in writing by the client in advance of any such work). Alternatively, we may negotiate a fixed fee in advance for any specific project, and such fixed fee will be agreed upon, in writing, by both a client and us. We will notify a client in advance whenever a client's requested work will result in an additional fee.

Fees on portfolios are negotiable, depending on the assets involved and the amount of work we anticipate the account will require. We may lower the fee on large cash holdings or other special security holdings, either permanently or temporarily, upon written agreement with you. We may, in our sole discretion, charge lower fees or offer services "pro bono" to certain persons based upon their financial circumstances and/or other factors.

A new client generally must sign a portfolio management agreement (or "contract") with our firm and place a minimum of \$2,000,000 in assets under management before we will manage accounts for that client. The assets may be divided between several different client accounts, such as a taxable account and an IRA account. Members of a single household are generally treated as a single client unless

they request otherwise and execute separate contracts. The client may aggregate accounts of their spouse or partner, family trusts, children or other family members, and other types of accounts to meet the minimum amount of assets under management and to determine the applicable advisory fee. Combining account values increases the client asset total, which may result in a client paying a reduced percentage advisory fee on a portion of the assets based on the available breakpoints in our fee schedule stated above. We may, in our sole discretion, waive the minimum initial assets requirement in selected cases.

For Institutional clients such as charitable foundations, we may negotiate a flat quarterly fee for the management of assets and related services.

Fees are pro-rated for accounts established or terminated in the middle of a quarter, based upon the account value at the end of the quarter or upon the termination date, respectively. You may terminate the portfolio management agreement at any time by giving us written notice at least fifteen (15) days in advance of the termination date. If you do not specify a termination date, the termination date shall be fifteen (15) calendar days after we have received your written notice of termination. Once we have received your termination notice, we will manage your portfolio during the remaining period prior to the termination date in the manner we believe to be in your best interests given the pending termination. If you wish, you may request our help during this period in liquidating or transferring out the investments in your managed portfolio. If you choose to continue to hold any or all of the investments past the termination date, we shall have no further obligation to provide advice or any notifications to you concerning those investments, or any other matter regarding your accounts, after the termination date. At or shortly after the termination date our firm's limited power of attorney and access to your accounts at your account custodian will be removed. We recommend you obtain advice from another qualified professional as needed after the termination date. You will receive a final bill for management services pro-rated based upon the termination date, and it will either be deducted from your account(s) or invoiced to you directly, as permitted under your agreement with our firm. If you do not appoint another investment advisor acceptable to the account custodian, it is possible the custodian will transfer your accounts out of their institutional services division into their retail accounts division once our firm is removed as the investment advisor on your accounts.

The death or incapacity of a client shall not terminate the authority of our firm granted under the portfolio management agreement until we receive actual notice of such death or incapacity. Upon such notice, whoever is legally responsible for the assets in a client's accounts (an executor, guardian, attorney-in-fact, or other authorized representative) must provide proof of their authority, execute new limited powers of attorney as needed to grant us continuing discretionary authority, and engage our firm for us to continue to service the accounts. An agreement may be terminated without penalty within the first five (5) business days.

Clients may withdraw funds from or add funds to client account(s) at any time.

For both our convenience and yours, when offered by client's custodian, we recommend clients instruct the custodian of their managed accounts in writing (generally by making an election on the appropriate account forms) to automatically debit our management fees each quarter from their managed accounts as invoiced by Advisor. This will help insure you do not incur any additional fees for making late payment. At approximately the same time as we process a fee deduction from your account(s) through the custodian, we will send to you an invoice copy showing the amount of the fee being debited from your account(s), the value of the assets on which the fee was based, and the manner in which the fee was calculated. Additionally, the custodian will send you account statements (at least quarterly, but usually monthly) which indicate all amounts disbursed from your account(s) including the amount of any fees paid directly to us.

Should you prefer, you may choose to pay our fees yourself by check. We do not accept credit card payments of fees. For clients who choose this method of fee payment, fees are due and payable immediately upon receipt of our invoice, and you may incur an additional charge for late payment as specified in your written advisory contract with us.

### **Periodic Management Services and Investment Recommendation Services**

For accounts managed or advised upon on a periodic basis only, we will negotiate a flat quarterly fee payable in arrears that generally will not exceed 1.0% annually of the assets being periodically reviewed. This fee is in addition to any portfolio management fee on other accounts we manage continuously for you, and will be listed as a consulting fee on your quarterly invoice.

For periodic advice regarding your investments in 529 college savings plans as an optional add-on to your continuous portfolio management services, we charge an additional quarterly consulting charge of \$100 per 529 plan account.

### **Financial and Estate Planning Evaluations; Other Financial Advice**

Generally, we offer financial planning and other advice only to existing or prospective portfolio management clients. Our client contracts specify a certain amount of our time per quarter that is included in the portfolio management fee and can be used for financial planning advice related to the assets under management. This time is non-cumulative and therefore cannot be carried over to the next quarter.

Should requested financial planning advice exceed the scope of services included in the client contract, or should we agree to offer such services to someone other than a current portfolio management client, then we will perform such services and make recommendations at a fixed point in time for a fixed negotiable fee or on an hourly basis. If the services are for a fixed fee, a payment of \$300 or one-third of the agreed fee, whichever is less, shall be required at the time of commencement of the project. The balance shall be due upon completion or in installments based upon the work completed, as negotiated and recorded in the written client contract. If the services are to be compensated for on an hourly basis, payment shall be due at the end of each month for time billed to date. Our standard hourly rate is \$500, although portfolio management clients may get a discounted rate if negotiated.

We may also offer to conduct research or render advice related to any specified investment or financial planning issue for an hourly fee of \$500.

You should be aware that services comparable to those provided by us are available from sources other than our firm and that some providers of comparable services may charge lower fees for such services than we do.

### **CF Cash Program**

To assist clients and to facilitate participation in the CF Cash program described in the Advisory Business section above, we receive a 10-basis point annualized administrative fee paid to us by StoneCastle, based on the value of your assets in the program. Additional fees for the CF Cash program are assessed to you directly by StoneCastle and are disclosed in the account opening documents. You will not pay us a fee directly, for any assets you deposit in the CF Cash program. The administrative fee is payable to us monthly in an amount equal to 1/12th of the fee specified, on the average daily balance of the amount in your accounts as calculated by StoneCastle. The administrative fee payable to us will never exceed the Net Yield, defined as the yield as adjusted by StoneCastle in its sole discretion, less any fees or other amounts payable to CF Cash, LLC as introducing party. Fees are payable monthly in arrears within fifteen (15) days of the end of the related calendar month. This fee will reduce the overall yield that you may otherwise receive for your deposits



in the CF Cash program, and the receipt of this fee creates a conflict of interest because it incentivizes us to recommend you place cash reserves you wish to hold in the CF Cash program instead of other cash management programs or financial institutions. You will complete a separate account opening application directly with StoneCastle, and you should read the terms and conditions carefully. Fees for the CF Cash program, including the administrative fee paid to us, are separate and apart from any fees paid to us for other portfolio management services.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Brochure.

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

Currently, we do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Please contact us if you have any questions about performance-based fees and/or side-by-side management.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, trusts, estates, and charitable organizations.

A new client generally must sign a portfolio management agreement (or "contract") with our firm and place a minimum of \$2,000,000 in assets under management before we will manage accounts for that client. The assets may be divided between several different client accounts, such as a taxable account and an IRA account. Members of a single household are generally treated as a single client unless they request otherwise and execute separate contracts. The client may aggregate accounts of their spouse or partner, family trusts, children or other family members, and other types of accounts to meet the minimum amount of assets under management and to determine the applicable advisory fee. Combining account values increases the client asset total, which may result in a client paying a reduced percentage advisory fee on a portion of the assets based on the available breakpoints in our fee schedule stated above. We may, in our sole discretion, waive the minimum initial assets requirement in selected cases.



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

### Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
  - Risk: 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. Non-public information may render analysis based on publicly available information outdated. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- Technical Analysis - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. We may use technical analysis in combination with fundamental analysis to try to pick better entry points for investments we believe are fundamentally attractive, or better exit points for investments we are considering selling. We also may use technical analysis to screen for stocks we wish to research further based upon their showing unusual market strength or weakness.
  - Risk: One risk of market timing based on technical analysis is that charts may not accurately 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. Technical analysis may work better for some securities than for others, or better under certain market conditions than under other market conditions.
- 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.
  - Risk: 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.
  - Risk: 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 may incur a disproportionately higher amount of transaction costs or tax liabilities 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 Sales - a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future.
  - Risk: Short selling can be very risky because losses are potentially unlimited and investors should exercise caution before short selling is implemented. A short seller will profit if the stock goes down in price, but if the price of the shares increases, the potential losses are unlimited because the stock price can keep rising. A short seller has

to undertake to pay the earnings on the borrowed securities as long as the short seller chooses to keep the short position open. If the company declares dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Any such occurrence can skew the short investment and make it unprofitable. The broker can use the funds in the short seller's margin account to buy back the loaned shares or issue a "call away" in order for the short seller to return the borrowed securities. If the broker makes such a call when the stock price is higher than the price at the time of the short sale, the investor can experience significant losses. Margin interest can also be a significant expense. Since short sales can only be undertaken in margin accounts, the interest payable on short trades can be substantial, especially if short positions are kept open over an extended period. Shares that are difficult to borrow – due to high short interest, limited float, or any other reason – have "hard-to-borrow" fees. These fees are based on an annualized rate that can range from a small fraction of a percent to more than 100% of the value of the short trade. The hard-to-borrow rate can fluctuate substantially on a daily basis; therefore, the exact dollar amount of the fee may not be known in advance, and may be substantial.

- Margin Transactions - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
  - Risk: If the value of the shares drops sufficiently, the investor may be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them. Margin interest can also be a significant expense. If the securities purchased on margin do not appreciate enough to offset the interest expense, an investor can lose money even if the securities themselves stay at the same price or even appreciate slightly.
- Options - Options are complex securities that can *involve extreme risks and the possibility of total loss of investment, and are not suitable for everyone*. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts:
  - A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.
  - A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.
  - Risk: *Options can involve high degrees of leverage, magnifying the impact of even modest changes in the price of securities underlying the option contract. They generally not only require the investor to be "right" about the direction of a security price movement, but also about how soon that price movement will occur, since options often expire in a relatively short period of time. It is generally recommended that you only invest in options with risk capital and consider ways to hedge your options exposure.*
- Legal and Regulatory Analysis - In addition to traditional fundamental and technical analysis, we may analyze ongoing legal or regulatory matters and may make investments based upon such analysis. In addition to traditional sources of investment information, we may also utilize publicly available and accessible court and regulatory agency filings, documents, proceedings, or announcements. Due to the anticipated higher costs in effectively monitoring such investments, as well as the often limited liquidity and high volatility of the securities of companies involved in significant legal or regulatory matters, investments based on such analysis will not generally be made in standard client accounts. However, we may offer clients willing to pay an additional fee based on the amount of assets involved the opportunity to participate in such investments. There is currently no fee schedule for such investment advice,

and fees for such services will be negotiable on an individual basis.

- Risk: We may not correctly anticipate the legal or regulatory outcome of pending matters. Even if we do correctly anticipate the outcome, we may not correctly project the impact of that outcome on securities prices. We also may not correctly anticipate the timing of when legal or regulatory proceedings will be completed, and other events may occur while such matters are pending that impact the market price of the securities we are investing in due to an expected legal or regulatory outcome.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. The above client-specific factors may result in us sometimes providing different or conflicting advice to different clients at relatively the same time concerning the same or similar securities, since the same investment may be appropriate for one client's portfolio but not for another client's portfolio at the same point in time.

Our strategies and investments may have unique and significant tax implications. Total return rather than tax efficiency is generally our primary consideration in the management of your assets, but we do take taxation issues we are made aware of into consideration as one factor in our account management. We will often consider the tax implications of an investment in evaluating whether it is desirable for a client and in determining whether or not to place it in a taxable or tax deferred account. We may provide certain tax information (such as realized capital gains information) about your account we believe to be accurate as a courtesy, at no additional charge, as specified in your client contract. However, we do not prepare tax returns for clients nor should clients rely on such information to always be error free. You or your tax advisor must review such information to make sure it conforms with your records. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers now generally report the cost basis of equities acquired in client accounts on or after January 1, 2011. As your advisor, we will advise your custodian to change your default accounting method in taxable accounts to the highest cost method if we believe this account method is suitable for you for calculating the cost basis of your investments. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm 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 risk of loss that you should be prepared to bear. We do 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 what may be significant losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met, other than that we will use our best efforts to meet them. Past performance is in no way an indication of future performance.

### **Recommendation of Particular Types of Securities**

As disclosed under the "Advisory Business" section in this Brochure, we recommend all types of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. It is each client's responsibility to notify us whenever their investment needs or life circumstances change materially. Each type of security has

its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

## **Item 9 Disciplinary Information**

Legal Advantage Investments, Inc. has been registered and providing investment advisory services since 1993. Neither our firm nor any of our associated persons have any reportable disciplinary information.

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

We have not provided information on other financial industry activities and affiliations because we do not have any relationship or arrangement that is material to our advisory business or to our clients with any of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this Brochure.

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

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

## **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We do not maintain custody of your assets under our management, although we may be deemed to have limited custody of your assets if you give us authority to withdraw our fees from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a qualified custodian, generally a broker-dealer or bank ("Custodian"). Currently, we typically recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian for most of their accounts under our management to take advantage of institutional capabilities we currently have access to at Schwab, such as aggregated trading allowing our firm to execute trades for multiple clients in a single block trade with all included clients thereby receiving the same price for that trade. We previously typically recommended the brokerage and custodial services of TD Ameritrade, Inc., which was acquired by The Charles Schwab Corporation in the fall of 2020. Schwab is currently the only Custodian at which we have access to certain institutional capabilities such as aggregated trading. However, when we feel a client account's anticipated needs can be best met by another custodian, we will recommend that account be held at that other custodian so long as that custodian supports the required limited power of attorney authority and capabilities for our firm to provide you with the services you are requesting.

We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and will buy and sell securities when we instruct them to. While we may recommend that you use Schwab or some other firm as Custodian for one or more of your accounts, you will decide whether to do so and will open your accounts with the Custodian of your choice by entering into an account agreement directly with them. Conflicts of interest associated with our use of institutional services at Schwab are described below as well as in Item 14 (Client Referrals and Other Compensation). You should consider these conflicts of interest when selecting your Custodian.

### **How we select brokers/custodians**

We seek to recommend a Custodian that will hold your assets and execute transactions with a combination of capabilities that will allow us to provide you with high quality services. When considering whether the terms that Schwab provides are, overall, most advantageous for an account when compared with other available providers and their services, we consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds "ETFs", etc.)
- Types of accounts offered and their features, such as various retirement plans, health savings accounts, 529 plans, etc.
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services and convenience to clients
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices



- Reputation, financial strength, security, and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below (see "Products and services available to us from Schwab")

### **Your brokerage and trading costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you execution costs (commissions) or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds, and U.S. exchange-listed equities and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program.

We are not required to select the broker or dealer that charges the lowest transaction costs overall or on each individual trade placed for your accounts, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades for accounts we manage that are held at Schwab is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How we select brokers/ custodians"). By using another broker or dealer you may pay lower or higher transaction costs.

### **Products and services available to us from Schwab**

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like ours. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to retail customers at Schwab or other retail brokerages. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through our firm. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available at no charge to us. Following is a more detailed description of Schwab's support services:

**Services that directly benefit you.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services that do not directly benefit you.** Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm, and therefore they likely indirectly benefit you. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts that may not be maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, record keeping, and client reporting



Schwab also offers other services intended to help us manage and further develop our business enterprise. While we don't necessarily utilize all of these services, they include:

- Educational conferences and events
- Consulting on technology and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also may provide us with other benefits, such as occasional business entertainment of our personnel. If we did not maintain a sufficient level of assets in managed accounts at Schwab, we would not have access to these services or, would be required to pay for these services from our own resources.

### **Our interest in Schwab's services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. The fact that we receive these benefits from Schwab, and that having most client accounts at a single custodian is a convenience for us and allows us to operate more efficiently, is an incentive for us to recommend the use of Schwab rather than recommending a brokerage firm to you based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker for most client accounts is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/custodians") and not Schwab's services that primarily benefit only us.

### **Directed Brokerage**

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this likely will prevent our firm from aggregating trades with other client accounts or from effectively negotiating brokerage commissions on your behalf. Trades at brokerages other than Schwab will generally be placed by our firm on your behalf (and therefore executed) shortly after the execution of any aggregated block trades of the same security at Schwab. This practice may also prevent our firm from obtaining as favorable a net price and execution for you as for other clients on such trades. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Aggregated Trades**

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. In cases where we are buying or selling the same security for several accounts at approximately the same time at a single institutional custodian such as Schwab, we will generally, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally, participating accounts will pay the same price per share (the average price per share for all shares in the aggregated trade) and a fixed transaction cost regardless of the number of shares transacted by each account. In certain cases, each participating account pays an average price per share for all transactions and pays a

proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment.

We generally combine multiple orders for shares of the same securities purchased for multiple discretionary accounts at a single institutional custodian at the same time; however, we do not combine orders for non-discretionary accounts nor do we combine orders across multiple institutional custodians or in retail accounts. Accordingly, non-discretionary accounts or accounts held at different custodians may have orders for shares of the same securities purchased at approximately the same time or on the same day executed at different (higher or lower) prices than other client accounts and pay different costs than discretionary accounts at a single institutional custodian pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

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

David Spector reviews all managed accounts regularly to determine if he believes any changes should be made. Individual securities are generally monitored daily using computer software that tracks trading and news alerts on a real-time basis. Mutual funds and retirement assets held at third party administrators are reviewed at least quarterly.

Managed accounts (other than accounts managed periodically and/or tracked by third party administrators) are generally tracked using Captool portfolio management software. This software enables our firm to provide regular investment performance reports and assist in preparing other client requested reports.

Reviews of client accounts may also be triggered by client requests, changes in client goals and objectives of which we become aware, and changes in economic and/or market conditions that we believe require adjustments in client accounts.

Other services offered by our firm, such as financial and estate plan reviews, generally terminate upon delivery of the plan and receive no ongoing reviews. Clients may arrange for periodic reviews in such cases on an hourly fee basis or a fixed fee basis per review. We recommend that you review your financial goals with us at least annually.

All clients will receive regular statements from custodians detailing account balances and activity for their accounts. We will also provide clients with a copy of each quarterly invoice showing the calculation of our fees charged for the management of accounts. In addition, we will provide clients with an annual report within a reasonable time after the end of the fourth quarter of each calendar year describing their account performance, our market outlook, or other information we deem relevant. Additionally, for any other calendar quarter, if a client's account exceeds \$2,000,000 in value at the end of such quarter, we will provide that client a quarterly report in a similar format.

Clients are encouraged to compare statements from custodians to reports received from us, and to review all statements, fee invoices, and reports for accuracy. Should a client find any potential errors, the client should notify us promptly.

We will also attempt to periodically provide information concerning taxable gains and losses in client accounts, but we are not responsible for the accuracy of these records or for preparing any portion of a client's tax return.

Reports may be provided electronically to clients pursuant to the advisory agreement signed with our firm. Clients should notify us promptly if they believe they have not received a quarterly or annual report as described above, or if they do not receive a regular statement for each of their accounts from their custodian(s).

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

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

If appropriate, we may refer you to outside, non-affiliated parties, such as mortgage brokers, accountants, lawyers, and others. In some instances, we may have a pre-existing relationship with these outside parties, which we will disclose to you at the time of the referral. We do not receive any compensation for any referrals.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. We benefit from the products and services provided because the cost of these services would otherwise be borne directly by us, and this creates a conflict. You should consider these conflicts of interest when selecting a custodian. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12—Brokerage Practices).

## **Item 15 Custody**

Your client contract gives you the option of paying our fees directly yourself upon invoice, or of having our fees directly debited from your brokerage account by your independent custodian. For both our convenience and yours, when offered by your independent custodian, we recommend you instruct the custodian in writing (generally by making an election on the appropriate account forms) to automatically debit our management fees each quarter from your managed accounts as invoiced by us. This will help insure you do not incur any additional fees for making late payment. Please see your client contract for a more detailed discussion of these alternatives.

If you choose to have our fees directly debited from your brokerage account, your independent custodian, as paying agent for our firm, will directly debit your account(s) for the payment of our advisory fees. However, three criteria must be met when payment is to be made directly by the custodian: (1) the client must have provided written authorization permitting the fees to be paid directly from the client's account held by the independent custodian, (2) Legal Advantage Investments, Inc. will send to the client, at approximately the same time as a fee invoice is sent to the custodian, a bill showing the amount of the fee being debited from client's account, the value of the client's assets on which the fee was based, and the manner in which the fee was calculated, and (3) the custodian will send statements to the client (at least quarterly, but usually monthly) which indicate all amounts disbursed from the account including the amount of advisory fees paid directly to Legal Advantage Investments, Inc.

This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least

quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fee deducted from your account. You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this Brochure.

Upon written authorization from you, we may effect wire transfers or asset transfers from your accounts to one or more third parties designated in writing by you, without obtaining written consent for each separate, individual transaction. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire or asset transfers has access to the client assets, and is therefore deemed to have custody of a client's assets in any related accounts. The SEC has provided no-action letter guidance related to this form of custody, and has set forth a seven-step test so that we do not have to obtain a surprise annual audit, as we otherwise would be required to, by reason of having custody. We acknowledge we meet the following criteria stipulated by the SEC in its no-action letter guidance:

1. The client provides a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. The client authorizes us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. The client's qualified custodian verifies the client's authorization (e.g., signature review) and provides a transfer of funds notice to client promptly after each transfer;
4. The client can terminate or change the instruction;
5. Our firm has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. Our firm maintains records showing that the third party is not a related party to us nor located at the same address as us; and,
7. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

Since all client funds are held at independent custodians (not at our firm) and we have instituted the above safeguards, we are not currently required to have our firm financial statements formally audited or to have an independent certified accountant verify the client funds and securities held at such independent custodians.

## **Item 16 Investment Discretion**

If we provide you portfolio management services, you are required to grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. To do so, you will sign a Limited Power of Attorney ("LPOA") form provided by the custodian of each of your managed accounts, in addition to an investment advisory agreement that authorizes our discretionary authority. Our discretionary authority over each account begins upon your signing of an LPOA for that account. We or you may terminate this discretionary authority at any time by notifying your custodian to remove our authority from your account or by terminating the investment advisory agreement in the manner described within that agreement. In addition, if you close any account at your custodian that we manage for you, our discretionary authority regarding such account will terminate at that time. You may specify investment limitations with respect to specific securities in writing. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, you will either execute transactions yourself after receiving our recommendations or we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

### **Proxy Voting**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder. You may contact us at (650) 949-4939 or [dspector@legaladv.com](mailto:dspector@legaladv.com) with any questions you may have about a particular solicitation concerning securities in your managed accounts. In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 Financial Information**

We are not required to provide financial information to our clients because we do not: require the prepayment of more than \$1200 in fees and six or more months in advance; take custody of client funds or securities; or, have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure. We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, attorneys and third party software providers. We may also share some information with your other services providers you have previously designated to us in the course of servicing your account.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law. You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this Brochure if you have any questions regarding this policy.

**Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If the trade error results in a gain, proceeds of the gain will be donated to charity pursuant to the custodian's policies and procedures.

**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. At our discretion, we may assist clients in filing claims in class action lawsuits that have been brought to our attention.