



LIGHTHOUSE
FINANCIAL

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Form ADV Part 2A – Firm Brochure

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Dated January 31, 2024

This brochure provides information about the qualifications and business practices of Lighthouse Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at 714-572-8900. 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 Lighthouse Financial Services, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Lighthouse Financial Services, Inc. is 110367.

Lighthouse Financial Services, 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

There are no material changes in this brochure from the last annual updating amendment on 02/09/2023 of Lighthouse Financial Services, Inc. Material changes relate to Lighthouse Financial Services, Inc.'s policies, practices or conflicts of interests.

Item 3: Table of Contents

Contents

Item 1: Cover Page	1
Item 2: Material Changes.....	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Investment Supervisory Services	4
Annual Financial Guidance Services.....	4
Financial Planning	5
Pension Consulting Services	5
Assets Under Advisement.....	7
Item 5: Fees and Compensation	7
Item 6: Performance-Based Fees.....	9
Item 7: Types of Clients.....	10
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9: Disciplinary Information	23
Item 10: Other Financial Industry Activities and Affiliations	23
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .	24
Item 12: Brokerage Practices	25
Item 13: Review of Accounts	27
Item 14: Client Referrals and Other Compensation	27
Item 15: Custody	28
Item 16: Investment Discretion	29
Item 17: Voting Client Securities	29
Item 18: Financial Information	30

Item 4: Advisory Business

Description of Advisory Firm

Lighthouse Financial Services, Inc.'s (LFS) registration was granted by the United States Securities and Exchange Commission on September 2, 1998. Robert George McDaniel (CRD Number 3028236), President, Chief Operating Officer, and Chief Compliance Officer and Michael Robert Verity (CRD Number 5848445), Vice President and Chief Investment Officer, are the owners of the firm. The firm is not publicly owned or traded. There are no indirect owners of the firm.

Types of Advisor Services

Investment Supervisory Services

LFS offers ongoing investment supervisory services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Investment supervisory services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

LFS evaluates the current investments of each client with respect to their risk tolerance levels and time horizon.

LFS seeks to provide investment decisions that are made in accordance with the fiduciary duties owed to its accounts and without consideration of LFS's economic, investment or other financial interests. To meet its fiduciary obligations, LFS attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, LFS's policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is LFS's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent, including initial public offerings ("IPOs") and other investment opportunities that might have a limited supply, among its clients on a fair and equitable basis over time.

Annual Financial Guidance Services

LFS's Annual Financial Guidance Services are only available to those clients who do not meet LFS's minimum account threshold of \$200,000.00 (the "Minimum Account"). These services are designed to help clients set their long-term financial goals, through an analysis process which may include, but is not limited to, investment management, tax planning, retirement/cash flow modeling, transition planning and estate design. LFS's role is to find ways to help the client understand their overall financial situation and help the client set financial objectives. As part of

its Annual Financial Guidance Services, LFS will provide ongoing financial planning advice and general non-discretionary investment advice to include the following:

- Annual review of net worth
- Semi-annual cash flow/budget
- Quarterly check-ins
- Education planning
- Non-discretionary investment review
- Access to a team of investment professionals

Typically, unless instructed otherwise, LFS will not provide investment management services as part of its Annual Financial Guidance Services. Clients will have the exclusive responsibility for conducting any transaction recommended by LFS, whether it be a purchase, sale or rebalance.

Financial Planning

Financial plans and financial planning may include but are not limited to investment planning; life insurance; tax concerns; retirement planning; education planning; and debt/credit planning.

Clients should understand that a conflict of interest exists because LFS has an incentive to recommend its own investment management services as LFS receives additional compensation for such services. Advice and recommendations will at times also be given on non-securities matters (such as the purchase of insurance products). Clients always have the right to accept or reject any or all recommendations made by LFS. Should clients decide to act on such recommendations, clients always have the right to decide with whom they choose to do so. Please refer to Item 5 below for detailed information on fees and compensation for these services.

Pension Consulting Services

Subject to the terms of a separate engagement, LFS will offer consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans). Pension consulting typically includes, but is not limited to:

- identifying investment objectives and restrictions
- providing guidance on various assets classes and investment options
- recommending other service providers, such as custodians, administrators, and broker-dealers
- assist the plan sponsor with reviewing and implement a pension consulting plan if applicable.

These services are based on the goals, objectives, demographics, time horizon, and/or risk tolerance of the plan and its participants.

All pension consulting services shall be in compliance with applicable state law(s) regulating pension consulting services. This applies to client accounts that are pension or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and we accept appointments to provide our services to such accounts, we acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA and/or 3(38) depending upon the nature of the engagement (but only with respect to the provision of services described in the ERISA Client Agreement).

Tax Service

Subject to the terms of a separate engagement, LFS will provide tax preparation services for clients to assist with the filing of federal and state tax returns for individuals and businesses. LFS does not audit or otherwise verify client data as part of these services. It is the client's responsibility to ensure the completeness and accuracy of information used to prepare the returns. LFS's responsibility is to prepare the returns in accordance with applicable regulations. LFS will work with the client and the client's third-party advisers to gather the necessary information as part of this service. While an engagement for tax return preparation does not include significant tax planning services, LFS typically will share any ideas with the client and discuss terms for any additional work that may be required to implement those ideas. For avoidance of doubt, LFS's tax preparation services are unrelated to any investment advisory service(s) as described herein.

Educational Seminars

At times, LFS delivers educational seminars and/or workshops for clients and prospective clients. The seminars and workshops are not designed to provide specific and/or personal advice to a specified client, nor does LFS provide individualized investment advice to attendees during these seminars. Such educational seminars and/or workshops are provided on an "as announced" basis for groups seeking general advice on investments and other areas of personal finance. The content of these seminars will vary depending upon the needs of the attendees. LFS does not charge a fee for attending such seminars.

Client Tailored Services and Client Imposed Restrictions

LFS will tailor a program for each individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by LFS on behalf of the client. LFS may use model allocations, together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent LFS from properly servicing the client account, or if the restrictions would require LFS to deviate from its standard suite of services, LFS reserves the right to end the relationship.

Wrap Fee Programs

A wrap fee program is an investment program wherein the investor pays one stated fee that includes management fees, transactions costs, and certain other administrative fees. We do not participate in wrap fee programs.

Assets Under Management

As of December 31, 2023, the following represents the amount of client assets under management by the Firm on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management
Discretionary	\$ 387,277,196
Non-Discretionary	\$ 0.00
Total:	\$ 387,277,196

Assets Under Advisement

The Firm also provides investment and financial advice for assets that are not directly managed ("Assets Under Advisement" or "AUA"), such as a client's annuity product, 401K, pension, or other deferred compensation plans. As of December 30, 2022, the following represents the amount of AUA by the Firm:

Type of Account	Assets Under Advisement ("AUA")
Total:	\$0

Item 5: Fees and Compensation

LFS shall engage in both fee-only financial planning activities and investment supervisory services. All new clients or prospective clients are entitled to 60 free minutes of consultation for financial planning and asset management. Approximately two (2%) percent of LFS's total advisory billings shall be attributable to the provision of advice not involving securities within the context of providing fee-only financial planning services. With respect to the asset management activity, LFS shall not have any custody of client assets, other than for direct debiting of advisory fees if authorized by Client or as discussed in Item 15 of this Brochure, but rather shall use an outside custodian such as TD Ameritrade Clearing, Inc., a subsidiary of TD Ameritrade, Inc., or Charles Schwab. Modification of fees can be facilitated with the approval of the firm's Chief Compliance Officer (CCO).

LFS charges a flat tiered fee schedule for all investment manage activities as follows:

Assets Under Management	Annual LFS Fee
First \$600,000	1.20%
Next \$400,000	0.90%
Next \$2,000,000	0.80%
Next \$3,000,000	0.70%
Over \$6,000,000	0.60%

The fee for the asset management activity for the Guidance Contract is as follows:

Account Value	Monthly LFS Fee
Under \$200,000	\$199

By default, all clients will have the fees deducted from their accounts. However, with the approval of a principal, clients may be billed directly. Investment Advisory Agreement clients are billed on a quarterly and intra-quarterly basis and Annual Financial Guidance Service clients are billed monthly.

Because mutual funds could pay advisory fees to their investment advisers and such fees are therefore indirectly charged to all holders of mutual fund shares, clients with mutual funds in their portfolio could effectively be paying both the LFS and the mutual fund adviser for the management of their assets. Clients who place mutual fund shares under LFS's management are therefore subject to both the LFS's direct management fees and indirect management fee of the mutual fund adviser. Clients could incur a trading fee charged by the custodian. These fees are deducted by the custodian and LFS does not participate in any fee sharing arrangement.

Some mutual funds and exchange traded funds do not have transaction fees. The client will bear the cost of all securities transactions, including mutual funds, purchased for the client as well as taxes, interest (if any), brokerage fees, commissions, custodian charges (if any) and transfer fees (if any).

For additional information, see Item 12 of this Brochure.

The asset management fee will be payable quarterly in advance. Some grandfathered clients are billed quarterly in arrears and have different fee schedules. At the end of each 3-month period (a "quarter"), the value of a Client's account shall be determined by adding the value of the securities, cash equivalents and any cash balance in the account as of the end of the previous

quarter. If the account has a negative cash balance, the fee will be charged on the total assets under management, which will not include any cash debit (borrowing). Fees for funds added or removed to/from client account(s) are prorated to the end of the current quarter. Fees are subject to change upon thirty-day (30) notice to client.

LFS shall refund all unearned or unapplied fees in excess of minimum quarterly fees to client when client provides LFS with a thirty day (30) written notice for termination. The refund is determined by calculating the remaining days in the quarter and then prorating the amount of the refund. No fee is ever based on capital gains or capital appreciation of assets. No fee is ever payable more than six (6) months in advance. Lighthouse Financial Service, Inc. does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

See Item 7 of this Brochure for more information regarding fees.

Tax Preparation Fees

Fees for tax preparation services are charged based on the complexity of the client's tax situation and the number of filings performed. Fees will be assessed on a flat-fee basis that will typically range between \$200-\$1,200. Should the client need additional services, additional fees may apply and will be captured as part of the tax preparation agreement signed by the client prior to the initiation of the engagement. The flat fee will be due upon final submission. Fees for this service may be paid by electronic funds transfer.

Fees and Billing for Annual Financial Guidance Services

For performing Annual Financial Guidance Services, LFS assess an annual fee of \$2,388.00, billed monthly at the beginning of each month at a rate of \$199.00 per month. LFS will send all of client's invoices to AdvicePay (a secure payment processing application) and AdvicePay will provide client with invoices from LFS. Client agrees to make all payments through AdvicePay under the terms of Client's separate AdvicePay Account. Payments may be automatically processed through AdvicePay via debit card, ACH, or credit card.

LFS utilizes AdvicePay, a third-party payment processing company, to serve all invoices to the client. Client acknowledges that LFS will not maintain control, copies or custody of client's credit card or payment information at any point. To receive Annual Financial Guidance Services, clients must agree to set up and register an account with AdvicePay ("AdvicePay Account") so that client can timely pay all LFS invoices through AdvicePay's portal.

Item 6: Performance-Based Fees

We do not offer performance-based fees.

Item 7: Types of Clients

LFS's client base is comprised of individuals, high net worth individuals, trusts, corporations or other businesses and pension accounts.

We also serve the investment and planning needs of small and mid-size corporation. There is a minimum fee charged of \$600 per quarter for all new clients in the equity strategy, and \$600 for fixed income strategy clients. For all grandfathered clients there is a minimum \$300.00 fee per quarter. The minimum portfolio size is \$200,000 for equity and \$400,000 for fixed income. This can be negotiated at the sole discretion of LFS.

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

Methods of Analysis and Investment Strategies

LFS generally applies a longer-term investment approach to most of its management decisions and its investment strategies. Our investment process starts with a "Top Down" analysis of the markets and the economy. Through our "Top Down" process, we identify where we are, or will be, in the economic and investment business cycles. Asset allocation decisions are determined by the investment strategy that clients have selected and their unique investment needs. LFS seeks investments that we believe will deliver an appropriate amount of appreciation and risk over the next 12 or more months as it applies to the unique investment needs and the investment strategy that clients have selected. The investment allocation process includes both a macro and some micro components. On a macro level, we choose and assign percentages between asset classes (stocks, bonds, and cash). On a micro level, we select individual securities from the "Bottom Up," using a combination of fundamental, technical, and quantitative research. Whenever possible, portfolio volatility and risk are managed through sensible diversification among sectors and across asset classes. LFS routinely monitors the universe of investment securities. When alternative or superior investment securities become available, previous portfolio holdings may be replaced. As with any investment program, there will be risk. The client portfolio's risk, return, and liquidity exposure are, in large part, a function of the asset classes that are to be included in the portfolio (Equity, Fixed Income, Cash and/or Cash Equivalent investments). Research shows that up to 94% of the portfolio's rate of return is due to asset allocation decision. Accordingly, a client's investment strategy may consider all three-asset classes when developing their investment allocation. The actual allocation to each asset class will be determined by the investment strategy that a client elect. The goal is to earn the highest

possible rate of return commensurate with a client's risk tolerance, investment objective, portfolio constraints, and the current economic and market conditions.

The actual rate of return will vary widely with market conditions, and the target return is in no way guaranteed. Investments may be subject to market volatility due to its historically higher exposure to growth-oriented investments.

Because market conditions fluctuate, a client's individual portfolio performance could be based on a starting period up to one hundred twenty (120) days from the time the investments and/or funds transfer to LFS. This period will allow LFS to adjust to changing market conditions and properly allocate/reallocate the portfolio to be consistent with the clients stated objective, goals, and LFS' investment philosophy.

The fair market value (FMV) of an individual account can significantly impact the quantity and type of investment vehicles (i.e., Stocks, Bonds, Mutual Funds and/or Exchange Traded Funds) that can be used by our management team to ensure the highest possible returns in relation to your selected investment strategy. Generally, any index strategy can be used for any account size and is appropriate for most investors. Stock based strategies work best for clients who want a higher risk allocation and for accounts with a FMV of \$200,000.00 or greater.

LFS Investment Strategies

The firm assists clients to determine appropriate strategies, which are selected based on their overall investment objectives and needs. No assumption can be made that any particular strategy will provide better returns than other investment strategies. Equity markets experience varying degrees of volatility. Investing in securities involves risk of loss that clients should be prepared to bear. Short term trading strategies may impact performance when transaction costs are incurred.

The following strategies may be employed at any time, on a discretionary basis:

Statement of Objectives for Dividend Growth Strategy

The Dividend Growth Strategy is a large-cap growth objective that invests the majority of its funds in a select group of domestic companies that have historically grown their dividends and are expected to continue doing so over the next 3 years. Portfolio allocations will tend to be heavily concentrated in fewer sectors and individual security positions will normally be between 35 to 50. This is a long-only, fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP).

Cash holdings will typically be less than 5% during normal markets but may be higher during volatile market periods. Individual security weightings will typically range between 3% - 5%. Portfolio holdings are bought with the expectation of holding them for 1 – 3 years. Portfolio

holdings are screened and ranked against a universe of large cap stocks using a proprietary screening tool that includes but is not limited to cash flow, dividend growth and earnings. The overall objective of the dividend growth strategy is to produce long-term price appreciation. The investment mix could include, but is not limited to, equities, real estate, and hard assets. This is an actively managed strategy and is subject to periods of significantly higher risk, market value volatility, and principal loss. This strategy is best suited for clients who have a high-risk tolerance, clients who prefer stocks over ETFs and or mutual funds, clients who are at the beginning of the accumulation phase of life, or clients that have a longer time horizon before they will need to access the funds.

Statement of Objectives for Growth Strategy

The Growth Strategy is primarily focused on large-cap domestic equities and invests in ETFs and mutual funds. Equity allocations can also include but are not limited to small-cap, mid-cap, international and REITs. The overall objective of the growth strategy is to produce long-term price appreciation. This is a fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP).

Security and sector weightings will vary over time, depending on the expected earnings growth environment and the economic growth cycle. The historical asset class allocation targets for this investment objective are 5% cash and cash equivalent securities, and 95% equity-oriented securities. The individual asset class allocations may vary significantly from the stated average allocation depending on economic and market conditions. Cash and cash equivalent securities could range from 0% - 25%, and equity securities could range from 50% - 100%. The portfolio may also hold fixed income securities (not to exceed 25%) from time to time, depending on market conditions and expected price appreciation. The investment mix could include, but is not limited to, equities, fixed income, real estate, and hard assets. LFS may also use more aggressive strategies that could include, but are not limited to derivatives, leveraged positions that may be long and/or short to hedge against changing market conditions or take advantage of market trends. This is an actively managed strategy and is subject to periods of higher risk, market value volatility, and principal loss. It is best suited for clients who have a high-risk tolerance, clients who prefer ETFs and or mutual funds over stocks, clients who want a highly diversified portfolio allocation, clients who are at the beginning of the accumulation phase of life, or clients that have a longer time horizon before they will need to access the funds.

Statement of Objectives for Asset Allocation Strategy

The Asset Allocation Strategy is a multi-asset class strategy that invests in ETFs and mutual funds and has a moderate growth objective. It primarily seeks the long-term capital appreciation of the portfolio with a secondary objective of income by actively managing the weightings between the top three asset class categories of cash & cash Equivalents, fixed income investments and equity

investments. Asset class weightings are adjusted according to market and economic cycles and environments. Equity exposure will be focused on large-cap domestic stocks. Equity allocations can also include but are not limited to small-cap, mid-cap, international, and REITs. Fixed income securities are primarily selected to manage risk but may also be selected for income and/or appreciation as well. The fixed income selection will vary throughout the economic cycle and may include, but is not limited to, securities such as: government issues, investment grade, non-investment grade, convertible, mortgage, floating rate, bank loans or mezzanine loans. This is a fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP).

The historical asset class allocation targets for this investment objective are 7% cash and cash equivalent securities, 23% fixed income securities, and 70% equity securities. The individual asset class allocations may vary significantly from the stated average allocation depending on economic and market conditions. Cash and cash equivalent securities could range from 0% - 25%, fixed income securities could range from 10% - 45%, and equity securities could range from 50% - 90%. The investment mix could include, but is not limited to, equities, fixed income, real estate, and hard assets. LFS may also use, from time to time, more aggressive strategies that could include, but are not limited to, derivatives, leveraged positions that may be long and/or short to hedge against changing market conditions or take advantage of market trends. This is an actively managed strategy and is subject to periods of higher risk, market value volatility, and principal loss. It is best suited for clients who have a moderate to aggressive risk tolerance, clients who prefer ETFs and or mutual funds over stocks, clients who want a highly diversified portfolio allocation, clients who are at the beginning of the accumulation phase of life, or clients that have a longer time horizon before they will need to access the funds.

Statement of Objectives for Growth and Income Strategy

The Growth & Income Strategy seeks the long-term capital appreciation of the portfolio with a secondary objective of income by actively managing the weightings between the top three asset class categories of cash & cash Equivalents, equity and equity like investments and income investments. The strategy primarily invests in large-cap domestic individual stocks and fixed income funds which include ETFs and mutual funds. In addition, it may invest in individual bond issues. Asset class weightings are adjusted according to market and economic cycles and environments.

The historical asset class allocation targets for this investment objective are 7% cash and cash equivalent securities, 23% fixed income securities, and 70% equity and equity-like securities. However, allocations may vary significantly from those targets. Cash and cash equivalent securities could range from 0% - 25%, fixed income securities could range from 10% - 45%, and equity securities could range from 50% - 90%. Portfolio allocations may also be concentrated in

fewer sectors and individual securities. The investment mix could include, but is not limited to, equities, fixed income, real estate, and hard assets. This is a long-only, fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP). This is an actively managed strategy and is subject to periods of higher risk, market value volatility, and principal loss. It is best suited for clients who have a moderate to high risk tolerance, clients who prefer stocks over ETFs and or mutual funds, clients who are at the beginning of the accumulation phase of life, or clients that have a longer time horizon before they will need to access the funds.

Statement of Objectives for Balanced Strategy

The Balanced Strategy is a multi-asset class strategy that invests in ETFs and mutual funds and has a conservative to moderate growth objective. It primarily seeks the long-term capital appreciation of the portfolio with a secondary objective of income by actively managing the weightings between the top three asset class categories of cash & cash equivalents, fixed income securities and equity securities. Asset class weightings are adjusted according to market and economic cycles and environments. Equity exposure will be focused on large-cap domestic stocks. Equity allocations can also include but are not limited to small-cap, mid-cap, international and REITs. Fixed income securities are primarily selected to manage risk but may also be selected for income and/or appreciation as well. The fixed income selection will vary throughout the economic cycle and may include, but is not limited to, securities such as: government issues, investment grade, non-investment grade, convertible, mortgage, floating rate, bank loans or mezzanine loans. This is a fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP).

The historical asset class allocation targets for this investment objective are 7% cash and cash equivalent securities, 33% fixed income securities, and 60% equity securities. The individual asset class allocations may vary significantly from the stated average allocation depending on economic and market conditions. Cash and cash equivalent securities could range from 0% - 25%, fixed income securities could range from 20% - 60%, and equity securities could range from 40% - 80%. The investment mix could include, but is not limited to, equities, fixed income, real estate, and hard assets. LFS may also use, from time to time, more aggressive strategies that could include, but are not limited to, derivatives, leveraged positions that may be long and/or short to hedge against changing market conditions or take advantage of market trends. This is an actively managed strategy and is subject to periods of higher risk, market value volatility, and principal loss. It is best suited for clients who have a conservative to moderate risk tolerance, clients who prefer ETFs and or mutual funds over stocks, clients who want a highly diversified portfolio allocation, clients who are in the middle or end of their accumulation phase of life, clients who are in the distribution phase of life or clients that have a shorter time horizon before they will need to access the funds.

Statement of Objectives for Conservative Balanced Strategy

The Conservative Balanced Strategy is a multi-asset class strategy that invests in ETFs and mutual funds and has a conservative growth objective. The strategy's objective is to seek a balance between price appreciation and current income by actively managing the weightings between the top three asset class categories of cash & cash equivalents, fixed income securities and equity securities. Asset class weightings are adjusted according to market and economic cycles and environments. Equity exposure will be focused on large-cap domestic stocks. Equity allocations can also include small-cap, mid-cap, international, and REITs. Fixed income securities are selected to manage the risk of the strategy, provide modest income and/or appreciation as well. The fixed income selection will vary throughout the economic cycle and may include, but is not limited to, securities such as: government issues, investment grade, non-investment grade, convertible, mortgage, floating rate, bank loans or mezzanine loans. This is a long-only, fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP).

The historical asset class allocation targets for this investment objective are 7% cash and cash equivalent securities, 43% fixed income securities, and 50% equity securities. The individual asset class allocations may vary moderately from the stated average allocation depending on economic and market conditions. Cash and cash equivalent securities could range from 0% - 10%, fixed income securities could range from 35% - 55%, and equity securities could range from 45% - 55%. The investment mix could include, but is not limited to, equities, fixed income, real estate, and hard assets. This is an actively managed strategy and is subject to periods of higher risk, market value volatility, and principal loss. It is best suited for clients who have a conservative risk tolerance, clients who prefer ETFs and or mutual funds over stocks, clients who want a highly diversified portfolio allocation, clients who are at the end of the accumulation phase of life, clients who are in the distribution phase of life or clients that have a shorter time horizon before they will need to access the funds.

Statement of Objectives for Equity Growth & Income Strategy

The Equity Growth & Income Strategy's objective is to seek a balance between price appreciation and current income by investing in equity and equity-like securities that pay dividends. Portfolio allocations may be concentrated in fewer sectors and individual securities. Holdings may include, but are not limited to, common stock, preferred stock, convertible securities, corporate debt, sovereign debt, REITs, and funds holding these. This is a long-only, fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP).

The historical asset class allocation targets for this investment objective are 6% cash and cash equivalent securities and 94% equity securities. The individual asset class allocations may vary significantly from the stated average allocation depending on economic and market conditions. Cash and cash equivalent securities could range from 0% - 25%, and equity securities could range from 50% - 100%. Individual security weightings will typically range between 1% - 5%. Portfolio holdings are bought with the expectation of holding them for 1 – 3 years.

This strategy may also include fixed income securities but is not required to do so. Fixed income securities could range from 0% - 25% of the account value. Fixed income investments may be selected for current income or capital appreciation and sold prior to maturity.

This is an actively managed strategy and is subject to periods of higher market risk, market value volatility, and principal loss. It is also subject to inflation and/or interest rate and credit risk. This objective is best suited for clients seeking a blend of investments that have historically offered investors both stable growth and dividend income, clients who have a high-risk tolerance, clients who prefer stocks over ETFs and or mutual funds, clients who are at the beginning of the accumulation phase of life, or clients that have a longer time horizon before they will need to access the funds.

Statement of Objectives for Equity Income Strategy

The primary focus of the Equity Income Strategy is to seek both current income and capital appreciation by investing a majority of its assets in equity and equity-like securities. It may also invest a lesser portion of its assets in fixed income securities. Holdings may include, but are not limited to, common stock, preferred stock, convertible securities, corporate debt, sovereign debt, REITs, and funds holding these. This is a long-only, fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP).

The historical asset class allocation targets for this investment objective are 6% cash and cash equivalent securities and 94% equity securities. The individual asset class allocations may vary significantly from the stated average allocation depending on individual client income needs, as well as economic and market conditions. Cash and cash equivalent securities could range from 0% - 25% and equity securities could range from 50% - 100%. Individual security weightings will typically range between 1% - 5%. Portfolio holdings are bought with the expectation of holding them for 1 – 3 years.

This strategy may also include fixed income securities but is not required to do so. Fixed income securities could range from 0% - 25% of the account value. Fixed income investments may be selected for current income or capital appreciation and sold prior to maturity.

This is an actively managed strategy and is subject to periods of higher market risk, market value volatility, and principal loss. It is also subject to inflation and/or interest rate and credit risk. This

objective is best suited for clients seeking a blend of investments that have historically offered investors stable growth and above average dividend income, clients who prefer stocks over ETFs and or mutual funds, clients with modest to moderate income needs who are in the distribution phase of life, clients who prefer dividends over interest payments and/or clients who have a high-risk tolerance.

Statement of Objectives for Flexible Income Strategy

Our Flexible Income strategy's primary focus is to provide current income, with capital appreciation as a secondary objective. It focuses on higher yielding interest and dividend paying securities. On average, it maintains an under-weighted exposure to the stock market and an over-weighted exposure to the bond market. Holdings may include, but are not limited to, common stock, preferred stock, convertible securities, corporate debt, sovereign debt, municipal, REITs, and funds holding these. Bond investments may be selected for capital appreciation and sold prior to maturity. This is a long-only, fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP).

What makes this income objective "Flexible" is that it seeks to reduce the potential decrease in real purchasing power associated with more traditional, fixed income-only strategies. The historical asset class allocation targets for this investment objective are 6% cash and cash equivalent securities, 54% fixed income securities, and 40% equity securities. The individual asset class allocations may vary significantly from the stated average allocation depending on economic and market conditions. The cash and cash equivalent range for this strategy is 0% - 25%. The fixed income allocation can range from 30% - 70% and the equity allocation can range from 30% - 65% depending on economic and market conditions.

This is an actively managed strategy and is subject to periods of higher risk, market value volatility, and principal loss. It is also subject to inflation and/or interest rate and credit risk. This objective is best suited for clients who do not intend to invade the account(s) principal, clients focused on generating higher yields rather than capital preservation, clients with modest to moderate income needs who are in the distribution or depletion phase of life, clients seeking an alternative to traditional fixed income only allocations, clients with a conservative to moderate risk tolerance.

Statement of Objectives for Capital Preservation Strategy

Our Capital Preservation Strategy is a high-quality short term investment grade bond portfolio that focuses on investment-grade securities with a weighted average maturity range of 1 – 5 years. Portfolio allocations include, but are not limited to, investment grade corporate bonds, government securities, and FDIC insured securities. Portfolio holdings include fixed income ETFs/closed end funds and/or mutual funds.

This strategy is subject to lower volatility risk but may experience inflation and/or interest rate risk, credit risk and principal loss. This is a long-only, fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP). This strategy is best suited for clients who have a low risk tolerance, clients who prefer ETFs and or mutual funds over Bonds, clients who want a highly diversified portfolio allocation, clients who do not require a high rate of return, clients looking for principal protection or clients with modest to moderate income needs who are in the distribution or depletion phase of life.

Statement of Objectives for Intermediate Bond Strategy

Our Intermediate Bond Strategy is a high-quality intermediate term bond portfolio that focuses on investment-grade securities with a weighted average maturity range of 5 – 10 years. Portfolio holdings include but are not limited to government issues, international dollar-denominated bonds, municipal bonds, and asset-back securities, primarily through ETFs, close end funds (CEF) and/or mutual funds. This strategy will make credit, maturity, interest rate level, and yield curve shape weighting adjustments, as per our longer-term market and economic expectations. Bonds and bond funds will typically decrease in value as interest rates rise.

This strategy is subject to lower volatility risk but may experience inflation and/or interest rate risk, credit risk and principal loss. This is a long-only, fully invested strategy where the dividends are automatically reinvested through a dividend reinvestment plan (DRIP). This strategy is best suited for clients who have a low risk tolerance, clients who prefer ETFs and or mutual funds over bonds, clients who want a highly diversified portfolio allocation, clients that do not require a high rate of return, clients looking for principal protection or clients with modest to moderate income needs who are in the distribution or depletion phase of life.

Statement of Objectives for Core Taxable Bond Strategy

The Core Taxable Bond Strategy seeks to provide preservation of capital and income generation with modest risk from both a duration and credit perspective. The strategy may hold debt obligations of the US Treasury or US government agencies, investment-grade corporate bonds, agency mortgage-backed securities, municipal bonds, sovereign, and supranational debt obligations. These debt obligations can be held in the form of individual bond issues, exchange-traded funds (ETF), mutual funds, and/or closed-end funds (CEF). The strategy is subject to duration risk and credit risk. Weighted-average duration for portfolios within the strategy will generally be in the range of 3 to 7 years. Weighted-average credit ratings for portfolios within the strategy will generally be between BBB+ and AA-. The strategy will seek diversification among industries and obligors. For most portfolios, no single obligor (except for the US Treasury and its agencies) will comprise more than 20% of the portfolio. The strategy is subject to liquidity risk. It is generally expected that most of the bonds in this strategy can be easily sold. However, in an over-the-counter market such as the US fixed income market, there can be no assurance that

bonds may be sold at prices approximating their fair value, or that bonds may be able to be sold at any price. This strategy is best suited for clients who have a low risk tolerance, clients looking for principal protection, clients who prefer individual bonds over ETFs and or mutual funds, clients who have the ability and willingness to hold fixed income securities to maturity, or clients with moderate income needs who are in the distribution or depletion phase of life.

Statement of Objectives for Core Municipal Bond Strategy

The Core Municipal Bond Strategy seeks to generate income, which is exempt from US federal income tax and, in some cases, state and local income tax, to maximize risk-adjusted, after-tax return. The strategy may hold debt obligations of US state and local government entities, as well as debt obligations of US territories. These debt obligations can be held in the form of individual bond issues, exchange-traded funds (ETF), mutual funds, and/or closed-end funds (CEF). The strategy generally takes modest duration risk and limited credit risk to achieve its goals. Weighted-average duration for portfolios within the strategy will generally be in the range of 3 to 7 years. Weighted-average credit ratings for portfolios within the strategy will generally be between A and AA. The strategy will seek diversification among industries and obligors. For most portfolios, no single municipal obligor will comprise more than 20% of the portfolio. In some limited circumstances, this limit may be higher. The strategy is subject to liquidity risk. It is generally expected that most of the bonds in this strategy can be easily sold. However, in an over-the-counter market such as the US fixed income market, there can be no assurance that bonds may be sold at prices approximating their fair value, or that bonds may be able to be sold at any price. This strategy is best suited for clients who have a low risk tolerance, clients looking for principal protection, clients who prefer individual bonds over ETFs and or mutual funds, clients who have the ability and willingness to hold fixed income securities to maturity, or clients with moderate income needs who are in the distribution or depletion phase of life.

Statement of Objectives for Total Return Bond Strategy

The Total Return Bond Strategy seeks to provide income generation and capital appreciation through active management and the thoughtful application of risk from both a duration and credit perspective. As a secondary objective, the strategy also seeks to provide principal protection. About two-thirds of the portfolio will be invested in core holdings: US Treasury or agency debt, investment-grade corporate bonds, agency mortgage-backed securities, taxable & exempt municipal bonds, sovereign debt, supranational debt obligations, and cash equivalents. Up to one-third of the portfolio may be invested in non-core holdings: high yield (“junk”) bonds, preferred stock or other deeply subordinated debt obligations, bank loans, emerging market bonds, non-agency mortgage-backed securities, insurance-linked securities, and bonds

denominated in foreign currency. These debt obligations can be held in the form of individual bond issues, exchange-traded funds (ETF), mutual funds, and/or closed-end funds (CEF). The strategy is subject to duration risk and credit risk. Weighted-average duration for portfolios within the strategy will generally be in the range of 2 to 10 years. Weighted-average credit ratings for portfolios within the strategy will generally be between BBB- and AA-. The strategy will seek diversification among industries and obligors. For most portfolios, no single obligor (except for the US Treasury and its agencies) will comprise more than 20% of the portfolio. The strategy is subject to liquidity risk. It is generally expected that most of the bonds in this strategy can be easily sold. However, some positions are likely to contain more limited liquidity characteristics and significant transaction costs, especially in challenging market conditions. Finally, in an over-the-counter market such as the US fixed income market, there can be no assurance that bonds may be sold at prices approximating their fair value, or that bonds may be able to be sold at any price. This strategy is best suited for clients who are looking for higher absolute returns within the context of a fixed income portfolio, clients who prefer individual bonds over ETFs and or mutual funds, clients who have the ability and willingness to hold fixed income securities to maturity, or clients with moderate income needs who are in the distribution or depletion phase of life.

Risk of Loss

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

Bond Subadvisors- Although LFS will seek to select only money managers who will invest clients' assets with the highest level of integrity, LFS's selection process cannot ensure that money managers will perform as desired and LFS will have no control over the day-to-day operations of any of its selected money managers. LFS would not necessarily be aware of certain activities at the underlying money manager level, including without limitation a money manager's engaging in unreported risks, investment "style drift" or even regulator breach or fraud.

Equity investments generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

Fixed Income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This includes corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile, and

fixed income securities carry significant interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Risks of investing in foreign fixed income securities also include the general risks inherent in non-U.S. investing.

Mutual Funds - Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of a bond (fixed income) nature or stock (equity) nature, or a mix of multiple underlying security types.

Exchange Traded Funds (ETFs) - An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Because ETFs use "authorized participants" (APs) as agents to facilitate creations or redemptions (primary market), there is a risk that an AP decides to no longer participate for a particular ETF; however, that risk is mitigated by the fact that other APs can step in to fill the vacancy of the withdrawing AP [an ETF typically has multiple APs] and ETF transactions predominantly take place in the secondary market without need for an AP. Like other liquid securities, ETF pricing changes throughout the trading day and there can be no guarantee that an ETF is purchased at the optimal time in terms of market movements. Moreover, due to market fluctuations, ETF brokerage costs, differing demand and characteristics of underlying securities, and other factors, the price of an ETF can be lower than the aggregate market price of its cash and component individual securities (net asset value – NAV). An ETF is subject to the same market risks as those of its underlying individual securities and has internal expenses that can lower investment returns.

Index Funds employ a strategy that aims to replicate the movements of an index of a specific financial market (which may include debt securities), or a set of rules of ownership that are held constant, regardless of market conditions. Products that utilize an index tracking strategy may suffer a risk of loss, including because of tracking error. Imperfect correlation between a portfolio of securities and those in the underlying index, rounding of prices, changes to the underlying index and regulatory requirements may cause tracking error, which is the divergence of the portfolio's performance from that of the underlying index. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also may result because a portfolio incurs fees and expenses while the underlying index does not.

Market Risk - The price of a stock, bond, mutual fund, or other security can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.

Foreign Risk - Investments in overseas markets (international securities) pose special risks, including currency fluctuation and political risks, and such investments can be more volatile than that of a U.S. only investment. The risks are generally intensified for investments in emerging markets.

Reinvestment Risk - This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

Business Risk - These risks are associated with a particular industry or a particular company within an industry.

Liquidity Risk - Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in purchasing them.

Financial Risk - Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Margin Risk - When purchasing securities, the securities may be paid for in full, or it is possible to borrow part of the purchase price from the client's account custodian or clearing firm. If borrowing funds in connection with the client account, the client will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to the client. If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to act to maintain the necessary level of equity in the account. The brokerage firm may issue a margin call and/or sell other assets in your account. It is important that each client fully understand the risks involved in trading securities on margin, which are applicable to any margin account that clients maintain. These risks include the following: (i) the client can lose more funds than deposited in the margin account; (ii) the account custodian or clearing firm can force the sale of securities or other assets in the account; (iii) the account custodian or clearing firm can sell the client's securities or other assets without contacting the client; (iv) the client is not entitled to choose which securities or other assets in the margin account may be liquidated or sold to meet a margin call; (v) the account custodian or clearing firm may move securities held in a cash account to the margin account and pledge the transferred securities; (vi) the account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide the client advance written notice; and/or (vii) the client is not entitled to an extension of time on a margin call.

Options Risk - Below are some of the main risks associated with investing in options:

- When writing covered call options to produce income for a client's account, there may be times when the underlying stock is "called" (call option contract exercised or assigned) by the investor that purchased the call option. That means the client would be required to sell the underlying security at the exercise (pre-determined) price to that investor.
- Clients may be required to open a margin account to invest in options, which carries additional risks (see above for details) and could result in margin interest costs to the client.
- Option positions may be adversely affected by company specific issues (the issuer of the underlying security) which may include but are not limited to bankruptcy, insolvency, failing to file with regulatory bodies, being delisted, having trading halted or suspended, corporate reorganizations, asset sales, spin offs, stock splits, mergers, and acquisitions. In addition, market related actions, political issues, and economic issues may adversely affect the option market. These factors could restrict, halt, suspend, or terminate option positions written (sold) or purchased.
- Changes in value of the option may not correlate with the underlying security, and the account could lose more than principal amount invested.
- Options involve risk and are not suitable for all clients. Therefore, a client should read the option disclosure document, "Characteristics and Risks of Standardized Options", which can be obtained from any exchange on which options are traded, at www.optionsclearing.com, or by calling 1-888- OPTIONS, or by contacting your broker/custodian.

Item 9: Disciplinary Information

None.

Item 10: Other Financial Industry Activities and Affiliations

Neither LFS nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

Neither LFS nor its representatives are registered as or have pending applications to become either a Pool Operator, or Licensed Commodity Broker or an associated person of the foregoing entities.

LFS may direct clients to third-party bond sub-advisers. Clients will pay LFS its standard fee which will include the standard fee for the advisers to which it directs those clients. The fees will not exceed any limit imposed by any regulatory agency. LFS will always act in the best interests of the client, including when determining which third-party investment adviser to recommend to clients. LFS will ensure that all recommended advisers are exempt, licensed or notice filed in the states in which LFS is recommending them to clients.

As described in Items 4 and 5 above, LFS offers Tax Preparation Services for a fee. This creates a conflict of interest in that we have a financial incentive to recommend our tax services over a competitor. To mitigate this conflict, it is disclosed to clients through this Brochure and relevant Brochure Supplements. Further, clients are made aware – typically through the delivery of this Brochure, that they always have the right to decide whether to implement any recommended transactions by the firm and are under no obligation to utilize LFS for their tax preparation needs and are free to select any service provider of their choosing.

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

The firm has adopted a written Code of Ethics pursuant to SEC Rule 204A-1. Such Code of Ethics requires associated persons and principals of the firm to observe certain federal securities laws and regulations, including matters involving personal securities holdings. Associates of the firm must report personal securities holdings to the Chief Compliance Officer of the firm. Our Code of Ethics is available to clients and prospective clients upon request.

LFS or individuals associated with LFS may buy or sell securities identical to those recommended to customers for their personal account.

It is the expressed policy of LFS that no person employed by LFS may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

LFS or any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

As these situations may represent a conflict of interest, LFS has established the following restrictions to ensure its fiduciary responsibilities:

- 1) A director, officer, or employee of LFS shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No person of LFS shall prefer his or her own interest to that of the advisory client.
- 2) LFS maintains a list of all securities holdings for itself, and anyone associated with this advisory practice. The Chief Compliance Officer reviews these holdings on a regular basis.
- 3) LFS requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- 4) Any individual not in observance of the above may be subject to termination.

Item 12: Brokerage Practices

LFS typically recommends TD Ameritrade and Schwab to clients because of the competitive transaction fees, account statement clarity, electronic access to client accounts, availability of research, and overall high service levels.

Schwab provides LFS with access to Schwab's institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a minimum amount of the adviser's clients' assets are maintained in accounts at Schwab. Schwab includes brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For LFS client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to LFS other products and services that benefit LFS but may not benefit its clients' accounts. These benefits may include national, regional or LFS specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of LFS by Schwab personnel, including meals,

invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist LFS in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of LFS's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of LFS's accounts. Schwab also makes available to LFS other services intended to help LFS manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance, and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to LFS by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to LFS. LFS is independently owned and operated and not affiliated with Schwab.

As a result of past participation in TD Ameritrade's Advisor Direct program (the "referral program"); LFS received client referrals from TD Ameritrade. TD Ameritrade established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise LFS and has no responsibility for LFS's management of client portfolios or LFS's other advice or services. LFS is no longer participating in the referral program for purposes of receiving client referrals, but it is obligated to pay TD Ameritrade an on-going fee for certain client relationships established because of past referrals. This fee is usually a percentage of the advisory fee that the client pays to LFS ("Solicitation Fee"). LFS will not charge clients referred to it through Advisor Direct any fees or costs higher than its standard fee schedule offered to its other clients.

Generally, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a

proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Item 13: Review of Accounts

LFS schedules periodic reviews with both our investment and planning clients at least annually.

The investment reviews cover the client's specific portfolio and an overview of the current markets. These reviews are conducted by an LFS wealth manager assigned to servicing the client account. Such reviews are subject to oversight by the firm's President and CIO.

All clients receive a monthly (and/or quarterly) account statement from TD Ameritrade and/or Charles Schwab. This statement(s) can be either paper or electronic. LFS provides a daily consolidated family account profile via the client portal.

Item 14: Client Referrals and Other Compensation

Incoming Referrals

The Firm has retained solicitors and will pay solicitation fees for clients who are referred to the Firm. All such agreements are in writing and comply with the applicable state and federal regulations. When a referred client is introduced to the Firm by a solicitor, the Firm will pay that solicitor a fee in accordance with the applicable federal and state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon a varying percentage of the fees paid to the Firm by such referred clients. Any such fee shall be paid solely from the Firm's investment management fee and will not result in any additional charge to the client. The Firm only conducts business with registered solicitors or solicitors that are not required to be registered because they are exempt from registration requirements.

At times, the Firm will also utilize marketers to generate leads. These marketers are paid a flat monthly fee for their lead generation services.

Referring Clients to Third Parties

The Firm does not receive compensation for referring clients to a third-party.

Economic Benefits Received

As discussed under Item 12, LFS receives “soft dollar” benefits whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist LFS in its investment decision-making process. The receipt of such services is deemed to be the receipt of an economic benefit by LFS, and although customary, these arrangements give rise to conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client’s interest in receiving most favorable execution.

As discussed in Item 12 above, LFS previously participated in TD Ameritrade's Advisor Direct referral program. Please see Item 12 above for additional information concerning disclosures and ongoing obligations related to these activities.

Item 15: Custody

We previously disclosed in Item 5 of this Brochure that our firm directly debits advisory fees from client accounts. As part of the billing process, the Client’s custodian is advised of the amount of the fee to be deducted from that Client's account. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Because the custodian does not calculate the amount of the fee to be deducted, it is important for Clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that Clients receive directly from their custodians, we may also send account statements directly to our clients on a periodic basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings, and values are correct and current.

Standing Letters of Authorization: LFS does maintain a standing letter of authorization (SLOA) where the funds or securities are being sent to a third party, and the following conditions are met:

- a. The client provides an instruction to the qualified custodian, in writing, that includes the client’s signature, the third party’s name, and either the third party’s address or the third party’s account number at a custodian to which the transfer should be directed.
- b. The client authorizes LFS, in writing, either on the qualified custodian’s form or separately, to direct transfers to the third party either on a specified schedule or from time to time.

- c. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- d. The client can terminate or change the instruction to the client's qualified custodian.
- e. LFS 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 contained in the client's instruction.
- f. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- g. LFS maintains records showing that the third party is not a related party of LFS or located at the same address as LFS.

Item 16: Investment Discretion

LFS provides discretionary and non-discretionary investment advisory services to clients. The Investment Management Contract established with each client outlines the discretionary authority for trading. Where investment discretion has been granted, LFS generally manages the client's account and makes investment decisions without consultation with the client as to what securities to buy or sell, when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, or the price per share. In some instances, LFS's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to LFS).

Item 17: Voting Client Securities

The firm does not vote proxy statements on behalf of advisory clients. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

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 you any electronic solicitation to vote proxies.

Item 18: Financial Information

LFS does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. LFS does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.