

# **The Gensler Group**

## **Wrap Program Brochure**

(Form ADV Appendix 1)

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**September 6, 2016**

**This wrap fee program brochure provides information about the qualifications and business practices of The Gensler Group (“Advisor”). If you have any questions about the contents of this brochure, please contact us at 619-554-1300 or [Dan@GenslerGroup.com](mailto:Dan@GenslerGroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about The Gensler Group also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). This site can be searched by using Advisor’s name or by an identification number known as the CRD Number. Our CRD Number is 110543.**

## **ITEM 2 - MATERIAL CHANGES**

This Wrap Program Brochure is dated September 6, 2016 and is our first Wrap Program Brochure. In the future, this section will be used to identify material changes to this Wrap Program Brochure since the date of our last annual update.

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## **ITEM 4 - SERVICES, FEES AND COMPENSATION**

### **Services**

Daniel G. Gensler doing business as The Gensler Group (“Advisor”, “we” or “our”) offers personalized investment advisory services to clients in the form of asset management and financial planning. The Advisor has been in business since January of 1996, and is owned by Daniel G. Gensler.

We offer a wrap program (referred to as “Program” in this brochure), which is a discretionary asset allocation program based on the individual needs of the client. Through this service, we offer you a customized and individualized investment program. Understanding your personal situation is very important to the services we provide. Therefore, we will have detailed discussions with you to understand your current financial situation and investments, goals, risk tolerance and investment objectives. A specific asset allocation strategy is crafted to focus on your specific goals and objectives. You may be asked to complete a confidential questionnaire in order to help define the risk tolerance and investment objective for your account. We may also create a financial plan or provide financial planning services to you as part of our engagement to manage your Program account. We primarily use no-load or load-waived mutual funds as the investment vehicle in managing your accounts; however we may also assist you with transactions in equity securities, fixed income securities, variable annuities, options, or alternative investments.

In order for us to manage your assets, you will be required to establish a Program account in your name at LPL Financial (“LPL”), a registered broker/dealer and custodian. LPL provides clearing, custody and other brokerage services for accounts established through the Program. Therefore, you will be required to establish a brokerage account in your name through LPL. You retain all rights of ownership of your accounts (e.g., right to withdraw securities or cash, vote proxies, and receive transaction confirmations). In addition, you have the ability to impose restrictions on investing in certain securities or types of securities.

We also offer additional investment advisory services to clients. For more information about our other investment advisory services, please contact your advisory representative to request a copy of our Firm Brochure or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Fees**

In a Program account, you pay Advisor a single annual advisory fee for advisory services and execution of transactions. You do not pay brokerage commissions, markups or transaction charges for execution of transactions in addition to the advisory fee.

The annual advisory fee for management services is a maximum of 2.5% and is based on a percentage of the market value of your account, including cash holdings. Advisory fees are negotiable between Advisor and the client, and the amount of the advisory fee will be as agreed upon in writing between Advisor and the client. The advisory fee may be higher than the fee charged by other investment advisors for similar services. The advisory fee is shared between Advisor and its advisory representative.

Advisory fees are billed quarterly in advance and calculated based on the account’s market value on the last business day of the prior quarter. Fees for accounts opened at any time other than the beginning of a quarter will be prorated based on the number of days remaining in the initial quarter. LPL, as the qualified custodian for the Program account, is responsible for calculating and deducting all advisory fees from your account.

If the advisory agreement is terminated before the end of the quarterly period, you will be entitled to a pro-rated refund of any pre-paid quarterly advisory fee based on the number of days remaining in the quarter after the termination date.

Although you do not pay a transaction charge for transactions in a Program account, you should be aware that we pay LPL transaction charges for the transactions. The transaction charges paid by us vary based on the type of transaction (e.g., mutual fund, equity or fixed income security) and range from \$0 to \$35.00. Because we pay the transaction charges in Program accounts, there is a conflict of interest. You should understand that the cost to Advisor of transaction charges may be a factor that we consider when deciding which securities to select and how frequently to place transactions in a Program account.

Within the Program account, we use mutual funds that LPL makes available within the Program account. In many instances, the available mutual funds offer multiple classes of shares, including shares designated as Class A shares and institutional share classes and other share

classes that are specifically designed for purchase in a fee-based investment advisory program. In other instances, a mutual fund may offer only Class A shares, but another similar mutual fund may be available that offers an institutional or fee-based advisory share class. When a Program account purchases Class A shares, LPL receives from the mutual fund a portion of the 12b-1 fees charged by the mutual fund. Neither Advisor nor its advisory representatives receive any portion of these 12b-1 fees. Institutional or fee-based advisory share classes generally are not subject to 12b-1 fees. As a result of the different expenses of the mutual fund share classes, it is generally more expensive for you to own Class A shares than an institutional or fee-based advisory share class. An investor in an institutional or fee-based advisory share class will pay lower fees over time, and keep more of his or her investment returns than an investor who holds Class A shares of the same fund. You should not assume that you will be invested in the share class with the lowest possible expense ratio. In a Program account, the appropriateness of a particular mutual fund share class should be determined based on a variety of different considerations, including but not limited to: the advisory fee that is charged; whether transaction charges are applied and the amount of the transaction charges applied to the purchase or sale of mutual funds; the anticipated frequency of transactions; the holding period for the mutual funds; the overall cost structure of the advisory program; share class eligibility requirements; and potential tax consequences.

We also have a financial incentive to recommend Class A shares. Although you will not be charged a transaction charge for transactions, we pay LPL a per transaction charge for mutual fund purchases and sales in the account. The transaction charge level, either \$0 or \$26.50, varies depending on the amount of 12b-1 fees and/or subtransfer agent recordkeeping fees that LPL receives from the mutual fund. We generally do not pay transaction charges for Class A share mutual fund transactions. The cost to us of transaction charges generally may be a factor we consider when deciding which securities to select and whether or not to place transactions in the account. As noted above, even though it is generally more expensive for you to own Class A shares than institutional or fee-based advisory share classes, we have a specific financial incentive to recommend Class A shares even though an institutional or fee-based advisory share class may be available in the same or a comparable mutual fund, to avoid paying the transaction charges. The lack of transaction charges to us for Class A share purchases and sales, together with the fact that institutional or fee-based advisory share classes generally are less expensive for you to own, presents a significant conflict of interest between us. You should understand this conflict and consider the additional indirect expenses that exist as a result of the mutual fund fees when negotiating and discussing the advisory fee us for management of the Program account and the selection of share classes and mutual funds for the Program account.

In selecting a particular share class, we will consider the overall profitability of the account or client relationship. Accordingly, the advisory fees that are charged on an account basis or in the aggregate at the relationship level may take into consideration the mutual fund share classes in which you are invested. If you are invested in institutional or fee-based advisory share classes in some situations you will have higher advisory fees.

## Other Types of Fees and Charges

Program accounts will incur additional fees and charges from parties other than the Advisor as noted below. These fees and charges are in addition to the advisory fee paid to us. We do not share in any portion of these third party fees.

LPL, as the custodian and broker-dealer providing brokerage and execution services on Program accounts, will impose certain fees and charges. LPL notifies you of these charges at account opening and makes available a list of these fees and charges on its website at [www.lpl.com](http://www.lpl.com). LPL will deduct these fees and charges directly from your Program account.

There are other fees and charges that are imposed by other third parties that apply to investments in Program accounts. Some of these fees and charges are described below:

- If your account invests in mutual funds or ETFs, please note that you will pay the fund a management fee as a shareholder of the fund in addition to paying us an advisory fee for managing the assets. For those funds available in the Program that may be purchased directly, you could generally avoid the additional fees by not using Advisor's management services and by making your own fund investment decisions. Please note that Dimensional Fund Advisors Funds may not be purchased directly at this time.
- Certain mutual funds impose fees and charges such as contingent deferred sales charges, early redemption fees and charges for frequent trading. These charges may apply if you transfer into or purchases such a fund with the applicable charges in a Program account.
- Although only no-load and load-waived mutual funds can be purchased in a Program account, you should understand that some mutual funds pay asset based sales charges or service fees (e.g., 12b-1 fees) to the custodian with respect to account holdings as discussed previously.
- If you hold a variable annuity as part of an account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor.
- Certain retirement accounts - IRA and qualified retirement plan fees.
- Certain trust accounts - Administrative servicing fees for trust accounts.
- Unit investment trusts ("UIT") - creation and development fees or similar fees imposed by UIT sponsors.
- Alternative investments - hedge fund and managed future investment management fees, managed futures investor servicing fees, and business development company fees.
- Sweep money market funds and cash balances – 12b-1 fees or other fee based on average daily deposit balances.

- Other charges required by law and imposed by the executing broker/dealer or custodian.

Further information regarding fees assessed by a mutual fund, or variable annuity is available in the appropriate prospectus, which is available upon request from the Advisor or from the product sponsor directly.

### **Other Important Considerations**

The advisory fee is an ongoing wrap fee for investment advisory services, the execution of transactions and other administrative and custodial services. The advisory fee may cost you more than purchasing the program services separately, for example, paying an advisory fee plus commissions for each transaction in the account. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the type and size of the account, historical and or expected size or number of trades for the account, and number and range of supplementary advisory and client-related services provided to the client.

- The advisory fee also may cost you more than if assets were held in a traditional brokerage account. In a brokerage account, a client is charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold strategy for the account or do not wish to purchase ongoing investment advice or management services, you should consider opening a commission-based brokerage account rather than a Program account.
- Advisor is recommending the Program account to you and receives compensation as a result of your participation in the program. This compensation includes the advisory fee and also may include other compensation, such as bonuses, awards or other things of value offered by LPL to Advisor or its advisory representatives. The amount of this compensation may be more or less than what the Advisor would receive if you participated in other LPL programs, programs of other investment advisors or paid separately for investment advice, brokerage and other client services. Therefore, we have a financial incentive to recommend a Program account over other programs and services. We take our responsibilities seriously and will only recommend that you hire us for management services if we believe it is appropriate and in the client's best interests.
- The investment products available to be purchased in the program can be purchased by clients outside of a Program account, through broker-dealers or other investment firms not affiliated with Advisor.

## **ITEM 5 - ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

Advisor provides services to individuals, high net worth individuals, trusts, and estates.

## **ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION**

In the Program account, Advisor does not select, review or recommend other investment advisors or portfolio managers. Advisor offers the Program account through its advisory representatives. You are responsible for selecting your advisory representative. For more information about the advisory representative managing the account, you should refer to the Brochure Supplement for the individual, which you should have received along with this Brochure at the time you opened the Program account.

LPL performs certain administrative services for Advisor, including generation of quarterly performance reports for program accounts. You will receive an individual quarterly performance report, which provides performance information on a time weighted basis. The performance reports are intended to inform you as to how your investments have performed for a period, both on an absolute basis and compared to leading investment indices.

### **Methods of Analysis and Investment Strategies**

It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

We predominantly use mutual funds as the investment vehicle within Program accounts. When constructing a portfolio of mutual funds, we generally use index strategies based on efficient market theories. Index management is a financial strategy that doesn't entail any forecasting or market timing. The goal is to minimize transaction costs, maximize diversification and avoid adverse consequences of failing to correctly anticipate the future. We implement this strategy by constructing a portfolio of multiple mutual funds that are designed to track markets using an asset allocation mix based on your investment objective for the Program account. By tracking the market, a portfolio is highly diversified, has low turnover and low internal mutual fund management fees.

At this time we predominately use Dimensional Fund Advisors (DFA) mutual funds in constructing portfolios. There are a variety of different DFA mutual funds that are used including, but not necessarily limited to US equity funds, international equity funds (including emerging market funds), real estate funds, and fixed income funds. The particular DFA funds that your Program account will invest in depend upon your investment objectives, level of risk tolerance, sensitivity to taxes, and other factors. The overall portfolio composition will have a tilt to small company stocks and value stocks, as history tells us over long periods of time, these areas tend to perform better. Of course, past performance does not guarantee future success. As a result, this will expose the Program account to greater risk than an account invested in lesser amounts of small cap and value oriented mutual funds.

There are risks associated with investing in securities. The following highlights some of the risks associated with the types of investments that may be purchased for your account:

- Investing in international markets presents additional risks including currency fluctuations, the potential for diplomatic and political instability, regulatory and liquidity risks and foreign taxation among others. The risks of foreign investing are generally greater in emerging markets.
- High yield bonds carry greater risks than bonds rated as investment grade. For example, they are issued by organizations that do not qualify for an investment grade rating by one of the rating agencies because of the potential for higher default by the issuer. Another risk is that further financial difficulties by the issuer may result in a decrease in the market value, and this may make it impossible to liquidate the bond prior to maturity.
- ETFs are typically investment companies that are legally classified as open end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the “spread.” The spread varies over time based on the ETF’s trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.

Although we do not typically recommend investing in individual equities within Program accounts, upon client request we may also assist clients with analyzing existing stock holdings to determine appropriate levels of concentration. When conducting such analysis we use a fundamental approach. This means that we review the business overall by reviewing its financial statements and financial health, its management and competitive advantages, and its competitors and markets.

We use a variety of sources of data to conduct our economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, corporate rating services, annual reports, prospectuses, and company press releases.

Advisor typically manages Program accounts focusing on one of the following investment objectives based on the client’s goals and risk tolerance; income with capital preservation, income with moderate growth, growth with income, growth or aggressive growth. The allocation of assets to different mutual funds or other securities in a Program account will be made based on these overall objectives as well as based on consultations with the client. The particular investments selected for your Program account will depend upon your investment objective, level of risk tolerance, sensitivity to taxes, and other factors.



## **Voting Client Securities**

We do not have the authority to and will not vote proxies on your behalf. You will receive proxy related information directly from your account custodian or a third-party vendor hired by the custodian. We will not be providing you with this information. You should read through the information provided with the proxy-voting documents and make a determination based on the information provided. It is your ultimate responsibility for making all proxy-voting decisions.

## **ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

In the Program account, Advisor, through its advisory representatives, is responsible for account management; there is no separate portfolio manager involved. Advisor obtains the necessary financial data from the client and assists the client in setting an appropriate investment objective for the account. This information is obtained through detailed discussions and by having the client complete a written investment advisory agreement and other documentation. You are encouraged to contact us if there have been any changes in your financial situation or investment objectives or if you wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. You should be aware that the investment objective selected for the program is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. You should further be aware that achievement of the stated investment objective is a long-term goal for the account.

## **ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS**

You should contact your advisory representative at any time with questions regarding a Program account.

## **ITEM 9 – ADDITIONAL INFORMATION**

### **Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of their advisory business or the integrity of their management. We have no information applicable to this Item.

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

Advisor is only in the business of providing investment advice as described above. However, as also noted above, our advisory representatives are separately registered as licensed securities representatives of LPL. In this capacity, the advisory representatives can sell securities to clients and receive compensation in the form of commissions. Client's purchasing securities from an advisory representative in his capacity as a licensed securities representative will receive certain

disclosure documents (e.g., prospectus, brokerage account agreement) when conducting such transactions.

LPL's parent company, LPL Investment Holdings, Inc., is a publicly traded company with shares listed on The NASDAQ Global Select Market under the trading symbol "LPLA". Mr. Gensler is a shareholder of LPLA.

Advisory representatives are also licensed as independent insurance agents. In this capacity, the advisory representatives can sell insurance products to clients and receive compensation in the form of commissions. Client's purchasing insurance from advisory representatives will receive certain disclosure documents (e.g., prospectus) and complete an insurance application process when conducting such transactions.

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

All investment advisors are required to establish, maintain and enforce a Code of Ethics. We have established a Code of Ethics that will apply to all of our associated persons. An investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of its clients at all times. We have a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for our Code of Ethics, which also covers our insider-trading and personal securities transactions policies and procedures. We require all supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and when changes occur, all supervised persons will sign an acknowledgment that they have read, understand and agree to comply with our Code of Ethics. We have the responsibility to make sure that the interests of all clients are placed ahead of our interests or the supervised person's own investment interests. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. We must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect the duty of complete loyalty to all clients. This disclosure is provided to give you a summary of our Code of Ethics. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

It is our policy not to affect any principal transactions for your account. Principal transactions are generally defined as transactions where an investment advisor, acting as principal for its own account, buys from or sells any security to any advisory client. We will also not cross trades between your account and the account of another client.

Advisor and its advisory representatives may buy or sell securities for our personal accounts identical to those recommended to clients. This creates a potential conflict of interest. It is our express policy that all persons associated in any manner with us must place the interests of clients ahead of their own when making personal investments. In addition, we require that client transactions be placed before our own transactions. We monitor trading by our associated persons.

LPL's parent company, LPL Investment Holdings Inc., is a publicly traded company. Advisor does not recommend or solicit orders of LPL Investment Holdings Inc. stock in Program accounts.

## **Review of Accounts**

Advisory representatives conduct reviews of client Program accounts on a quarterly basis for consistency with the client's stated investment objectives, among other factors. All Program accounts are also subjected to a risk based exception reporting system that flags accounts on a quarterly basis for criteria such as performance, trading activity and position concentration. The exception reporting identifies accounts where additional scrutiny or analysis by Advisor may be appropriate.

During any month that there is activity in the Program account, you will receive a monthly account statement from LPL showing account activity as well as positions held in the account at month end. Additionally, you will receive a confirmation of each transaction that occurs within the Program account unless the transaction is the result of a systematic purchase, redemption or exchange. You will also receive a detailed quarterly report showing performance, positions and activity from LPL. All account data and statements are also available on-line through the LPL Account View portal.

Program account reviews can also be triggered upon your request, a change in your circumstances, unusual market activity or unusual economic conditions. Advisory representatives each review their own accounts although we may also review accounts as a group. Absent specific instructions from you, account reviews include confirming account holdings, checking proper allocations and making sure investments are still working toward your goals and objectives.

## **Client Referrals and Other Compensation**

We may also enter into agreements with solicitors (referring parties) to refer clients to us. If a client is referred to us by a solicitor, the solicitor will provide the client with a copy of this disclosure brochure. The client will also receive a copy of the solicitor disclosure statement as required.

If a referred client enters into an investment advisory agreement with us, a cash referral fee is paid to the referring party that is based upon a percentage of client advisory fees generated. This referral relationship will not result in clients being charged any fees over and above the normal fees charged for the advisory services provided.

As a result of our relationship with LPL, we may also receive production bonuses, stock options, and other things of value such as free or reduced-cost attendance at LPL's national sales conference or top producer forums and events. Production bonuses and awards for conference attendance are based on overall business produced by us and do not favor one product or program over others. The awarding of stock options is based on total production, recurring revenue and growth rate of production. Advisory fees for Program accounts are considered recurring revenue and, thus, there may be a financial incentive for us to recommend that you

establish Program accounts so that we will receive recurring revenue and possibly receive stock options from LPL.

## **Financial Information**

We are required in this Item to provide you with certain information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet our contractual or fiduciary commitments to clients, and we have not been the subject of a bankruptcy petition.

## **Custody**

We do not have custody of your funds or securities. Custody for all Program accounts is maintained by LPL, a qualified custodian. You will receive account statements directly from LPL at least quarterly. We encourage you to carefully review these statements when you receive them. In addition, LPL will provide you with performance reports for your accounts on our behalf.

We may provide you with customized reporting of your account from time to time upon request. Please keep in mind that these reports do not take the place of or otherwise replace the official statements you receive from the custodian of your Program account assets.

## **Investment Discretion**

Upon receiving written authorization from you in our investment advisory agreement, we may provide discretionary investment advisory services for your accounts. Discretionary authority is limited in that we will only be given discretionary trading authority. This authority will allow us to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

We will not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction will be done pursuant to your prior written authorization provided to LPL.

## **Brokerage Practices**

Advisor requires that clients direct LPL as the sole and exclusive broker/dealer to execute transactions for Program accounts. LPL is not paid a commission for executing transactions. Because advisory representatives of Advisor are licensed with LPL, this presents a conflict of interest. Clients should understand that not all advisors require their clients to direct brokerage. By requiring the client to select LPL, clients may be unable to achieve the most favorable execution of client transactions. Therefore, directed brokerage may cost clients more money.

Advisor may receive support services and/or products from LPL, which assist Advisor to better monitor and service client accounts maintained at LPL. These support services and/or products

may be received without cost, at a discount, and/or at another negotiated rate, and may include the following:

- investment-related research
- pricing information and market data
- software and other technology that provides access to client account data
- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products used by Advisor in furtherance of its investment advisory business operations

These support services are provided to Advisor based on the overall relationship between Advisor and LPL. It is not the result of soft dollar arrangements or any other express arrangements with LPL that involves the execution of client transactions as a condition to the receipt of services. Advisor will continue to receive the services regardless of the volume of client transactions executed with LPL. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by Advisor to LPL or any other entity to invest any specific amount or percentage of client assets in any specific securities as a result of this arrangement.

You are free to select any broker/dealer you wish in order to implement the financial planning of consulting advice we give you. If you wish to have one of our advisory representatives implement the advice in their separate capacity as registered representatives, LPL will be used. Certain advisory representatives are registered representatives of LPL and are required to use the services of LPL when acting in this capacity. LPL has a wide range of approved securities products for which it performs due diligence prior to selection. LPL's registered representatives are only permitted to sell these products. Commissions charged for these products may be higher or lower than commissions you may be charged if you purchased the investment products through another broker/dealer.

Given the individual nature of our asset management services, as well as the fact that we invest primarily in DFA mutual funds and not individual equities, we do not aggregate transactions in Program accounts for one client with other clients.