



This brochure provides information about the qualifications and business practices of LWI Financial Inc. (Loring Ward). If you have any questions about the contents of this brochure, please contact us at the telephone number below or at [compliance@loringward.com](mailto:compliance@loringward.com). 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. Registration as an investment advisor with the Securities and Exchange Commission does not imply a certain level of skill or training.

Additional information about Loring Ward also is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and at [www.loringward.com](http://www.loringward.com).



**MARCH 2012**

**LWI Financial Inc.**

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## MATERIAL CHANGES

Headquartered in the heart of Silicon Valley in San Jose, California, Loring Ward is dedicated to bringing science, reason and innovation to investing. Founded in 1990, we provide Investment Management, Business Management and Practice Development to a select group of America's most knowledgeable and forward-thinking independent financial Advisors and their clients. Due to certain rules and regulations promulgated by the United States Securities and Exchange Commission, Loring Ward is required to distribute this brochure to you so that you may have a better understanding of our qualifications and business practices.

Loring Ward amends this brochure at least annually. To receive a copy of our most recent brochure at any point during the year, please call the Compliance Department toll-free at (800) 366-7266 or e-mail [compliance@loringward.com](mailto:compliance@loringward.com) and a copy will be sent to you without charge. You may also receive a copy of the most recent brochure and additional information regarding Loring Ward from [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) under Investment Adviser Search. If applicable, this item will contain a summary of material changes to the information in this brochure since the last annual update of this brochure.

There have been two material changes to this brochure since the last annual update in March 2011. In August 2011, Loring Ward rolled out a no transaction fee solution for certain accounts invested in the SA Funds – Investment Trust (“SA Funds”). As described in Item 4 (Advisory Business), Loring Ward may pay some or all custodial transaction charges for clients of Advisors utilizing the SA Funds. In January 2012, Loring Ward made an additional fee schedule available to Advisors and clients to select at their option. The additional fee schedule is further described in Item 5 (Fees and Compensation).

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## ADVISORY BUSINESS

Founded in 1990, LWI Financial Inc. (“Loring Ward”) is an Investment Adviser registered with the U.S. Securities and Exchange Commission. It offers a turn-key asset-class allocation and management program and investment advisory administrative services directly to investing clients (“clients”) and to other registered investment advisors and their clients. As of March 13, 2012, Loring Ward managed total assets of \$7,153,696,839 for clients. All funds are managed as non-discretionary accounts pursuant to instructions received from either the client or the client’s registered investment advisor under a limited power of attorney.

Loring Ward implements asset-class allocation programs approved by the client primarily with an approved group of no-load mutual funds. Among the funds recommended by Loring Ward are the SA Funds – Investment Trust (“SA Funds”), consisting of nine mutual funds, which are advised and administrated by Loring Ward and sub-advised by Dimensional Fund Advisors, Inc. (“DFA”), an unaffiliated mutual fund advisor, or a group of mutual funds directly advised by DFA or its affiliates (“DFA Funds”). Loring Ward receives investment management fees, administration fees and shareholder servicing fees from the SA Funds (see “SA Fund Management” below), and provides shareholder services to four DFA Funds. Loring Ward receives shareholder servicing fees from these four funds, which are included in the annual operating expenses reported by these funds.

Clients are under no obligation to implement the asset allocation programs developed by Loring Ward, and may specify alternative investment strategies and restrictions upon opening the account or at any time thereafter. The client, either directly or through a power-of-attorney to his or her advisor, will have given pre-authorization to Loring Ward to trade the approved mutual funds and any individual securities that may be held in the account, reasonably consistent with the asset allocation approved by the client or his or her advisor and any investment restrictions requested by them. Clients who establish Loring Ward accounts must agree that the risks of such accounts are borne solely by the client. Loring Ward provides a variety of services to investment advisors and their clients, including quarterly

reports of account holdings, historical performance information, fee reporting and debiting, transaction data and proposed portfolios. For its third-party portfolio management services Loring Ward offers periodic portfolio rebalancing designed to keep portfolios consistent with the client’s desired asset allocation target amounts within Loring Ward’s usual and customary target parameters. If the client elects to use Loring Ward’s services, Loring Ward will generally rebalance accounts quarterly to within four percent (4%) of the allocation target in each asset-class agreed upon by the client. Loring Ward or the client may choose not to rebalance because the funds involved are insufficient economically, additional fees and expenses are anticipated or there may be other events pending that would impact the decision. Loring Ward will also provide a mechanism for collection of investment advisory fees from clients payable to independent and affiliated investment advisors whose clients have Loring Ward accounts. Loring Ward receives no fees from the investment advisors or their clients for these additional services; however, Loring Ward receives investment advisory, administration and shareholder servicing fees from the SA Funds (see below).

Loring Ward provides the following types of services:

**Structured Investing Advantage.** Structured Investing Advantage is an asset allocation, management and reporting program that Loring Ward offers through independent and Loring Ward affiliated advisors (collectively “Advisors”), for use in the management of client account assets. This program permits the use of mutual funds, including those affiliated with Loring Ward. It also permits the inclusion of client-directed securities not included in Loring Ward’s asset allocation recommendations or its account management.

**Structured Investing Portfolio Services.** Structured Investing Portfolio Services is an asset allocation program and investor reporting service that Loring Ward offers to Advisors for use in the management of account assets for clients who implement asset allocation plans through the purchase of shares of SA Funds. Loring Ward provides quarterly reports of performance and account holdings, historical performance and transaction data. In addition, Loring Ward offers a quarterly rebalancing service designed to keep portfolios approximate with the clients’ desired allocation amounts.



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**Strategic Portfolio Services.** Loring Ward provides portfolio construction and strategy advice to unaffiliated investment advisors and broker-dealers either for a fee or without fees for investments into the SA Funds or other unrelated funds. It may also provide transaction, marketing and expense assistance to such entities or persons as part of its Strategic services. Its fees may be greater or lesser than those paid by clients who receive similar services and reports. Loring Ward may re-allow all or any part of its fees for marketing, operational or practice management assistance in connection with the offer of these services.

**Loring Ward Total Retirement.** Loring Ward Total Retirement (“LWTR”) is an asset allocation service that Loring Ward offers to Advisors, recordkeepers and clients for the management of certain qualified retirement plan assets using predefined portfolio allocations. These portfolios are maintained in accounts held by certain approved, unrelated broker-dealer custodians and may contain assets not managed by Loring Ward.

Within the LWTR program, Loring Ward does not provide administration, custodian or plan/participant reporting facilities directly to the company or plan sponsor. Advisors using LWTR work with web-based retirement plan service providers, recordkeepers, third-party administrators and custodians for plan assets. LWTR provides Advisors with tools to create recommended asset allocations for retirement plans and/or plan participants based upon a defined number of standardized investment allocation portfolios and other securities. These allocation portfolios are usually comprised of SA Funds, DFA funds and/or a money market fund.

At the Advisor’s discretion, LWTR allows Advisors to offer additional securities for investment within the retirement plan. The availability of mutual funds for LWTR accounts is limited to the number of mutual funds approved by the plan’s administrators, but Loring Ward does not act as an investment fiduciary for securities other than those it recommends for portfolio allocations. Individual plan participants may elect to invest in one of the pre-defined investment allocations, or may choose to create their own customized investment allocations.

The plan’s trustee and its unaffiliated advisors must independently determine if SA Funds are to be used in the participants’ accounts. Loring Ward does not receive any direct compensation for plans utilizing the SA Funds; however, it receives investment management, administration and shareholder servicing fees from management of the SA Funds and may reallow all or part of such fees to advisors, recordkeepers, custodians and /or plan administrators providing services to qualified plans.

**SA Fund Management.** Loring Ward is the investment manager, administrator and shareholder servicing agent of the SA Funds – Investment Trust, a family of publicly-offered mutual funds. The Trust currently consists of the following funds:

- SA U.S. Fixed Income Fund
- SA Global Fixed Income Fund
- SA U.S. Core Market Fund
- SA U.S. Value Fund
- SA U.S. Small Company Fund,
- SA Real Estate Securities Fund,
- SA Emerging Markets Value Fund
- SA International Value Fund
- SA International Small Company Fund

(each an “SA Fund” and collectively, the “SA Funds”). The SA Funds are currently available only in the United States.

Loring Ward defined the investment objectives of the individual SA Funds, administers the SA Funds, monitors the Sub-Adviser and is responsible for the servicing of the SA Funds’ shareholders. For its services to the SA Funds, Loring Ward receives management, administration and shareholder servicing fees from each of the SA Funds. All of the officers of the SA Funds are employees of Loring Ward. They do not receive compensation from the SA Funds for this service. Loring Ward is compensated directly from the SA Funds, as described in the SA Funds’ Prospectus. Loring Ward does not emphasize one SA Fund over another except as part of an overall portfolio asset-class allocation strategy.

Loring Ward has contracted with Dimensional Fund Advisors Inc. (“DFA”), an unaffiliated mutual fund advisor, to buy and sell securities that fulfill the asset-class investment components of the SA Funds. DFA uses a committee of investment professionals to manage the assets of these Funds. Loring Ward relies upon DFA as the SA Funds’ sub-adviser to obtain best execution for all trading performed on behalf of the SA Funds.

Loring Ward may contract with other mutual fund sub-advisers when additional funds are added to the Trust or should Loring Ward determine that the continued use of DFA is not advantageous to the SA Funds. Loring Ward and the Trust have obtained exemptive relief to change sub-advisers for any SA Fund by a vote of the Board of Trustees of the Trust. It may also retain others to perform accounting, administration and shareholder services.

Loring Ward may pay some or all custodial transaction charges for clients of Advisors utilizing the SA Funds.

**Structured Asset Management.** Loring Ward currently limits the availability of Structured Asset Management accounts to certain Advisors who are “grandfathered” by having offered this program previously to clients. In this program, the brokerage-affiliated advisors act as referring solicitors for Loring Ward’s asset allocation services. New clients may obtain similar, non-solicitor services through Advisors using Structured Investing Advantage.

**Financial Planning.** Loring Ward occasionally provides separate financial planning services through Loring Ward’s Advisor Representatives who may also be registered representatives of Loring Ward Securities Inc. (“LWSI”), for clients who may not wish to receive ongoing investment management services.

**Advisor Services.** Among the services provided to Advisors are internet-based software tools referred to as the Investment Planning Center (“IPC”) and the Advisor Center, which are offered to Advisors for use with their clients. The IPC generates a personalized investment policy statement based on information provided by the client or his or her Advisor. That information includes suitability information (income, age, investment net worth, risk tolerance, investment objectives, etc.) and other variables. Using the IPC, the Advisor can present multiple historic simulations to help the client determine the investment allocation that Loring Ward believes is most appropriate for the client’s stated goals. Loring Ward is not directly compensated by Advisors or their clients for the asset allocation services provided by the IPC, but its use is limited to certain Advisors who have contracted with Loring Ward.

The Advisor Center assists the Advisor with the management of his or her clients’ accounts. It permits Advisors to monitor client transactions and access Loring Ward’s research and practice management resources.

Loring Ward is a wholly owned indirect subsidiary of Werba Reinhard Inc. (“WRI”), a Delaware corporation based in San Jose, California. WRI has one principal shareholder, Eli Reinhard, with more than 25% direct and indirect ownership. It is also affiliated with LWSI.

## FEES AND COMPENSATION

**Asset Administration.** Loring Ward charges fees for the administration of client accounts based upon the value of assets, other than SA Funds, held in the custodial account. For the services provided for accounts with assets other than the SA Funds, a prorated quarterly management or administrative fee is due and

payable upon execution of the account agreement and deducted from the designated account at the start of each calendar quarter thereafter. These fees are generally negotiated by the client’s advisor based upon a percentage of the market value of assets under management as of a certain date up to a maximum fee based on two alternative fee schedules:

Asset Level	Maximum Rate (Paid Quarterly)
\$1 to \$250,000	0.90%
\$250,001 to \$500,000	0.85%
\$500,001 to \$1,000,000	0.55%
\$1,000,001 to \$2,000,000	0.50%
\$2,000,000 to \$5,000,000	0.45%
Above \$5,000,000	0.40%

Asset Level	Maximum Rate (Paid Quarterly)
For the first amount from \$0.00 to \$500,000.00	0.65%
For the next amount from \$500,000.01 to \$1,000,000.00	0.35%
For the next amount from \$1,000,000.01 to \$5,000,000.00	0.25%
For any amount above \$5,000,000.00	0.20%

For “grandfathered” Advisors who remain eligible to use Structured Asset Management accounts, the maximum annual asset management fee (including reallowance to the solicitor) is:

Asset Level	Maximum Rate (Paid Quarterly)
\$1 to \$ 250,000	2.00%
\$250,001 to \$500,000	1.00%
\$500,001 to \$1,000,000	0.80%
\$1,000,001 to \$2,000,000	0.60%
Above \$2,000,000	0.40%

Subsequent quarterly fees are computed based upon the market value of assets in the account as of a date on or about the last business day of the prior calendar quarter and deducted quarterly in advance from the client’s account. Additional deposits of funds and/or any other securities into the client’s account will be subject to the same fees, prorated based on the number of days remaining in the quarter after the client’s funds are invested into an asset allocation. If during a quarter any assets in a client’s account are sold, disbursed, or otherwise withdrawn from the account, Loring Ward will not reimburse any administration fees already charged on those assets for the quarter.

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The date of the determination of the fee and the specific fees are disclosed in a fee disclosure statement given to each client upon the opening of the account. Services similar to those offered by Loring Ward are available elsewhere for more or less than the amounts charged by Loring Ward. Fees are not charged directly upon investments in the SA Funds. As the SA Funds' investment advisor, Loring Ward receives certain fees and expenses directly from the SA Funds for its services as disclosed in that Fund's prospectus.

The client, or his or her Advisor, may incur additional brokerage commissions, "ticket charges" and other similar expenses in connection with the opening, maintenance and closing of his or her account(s) at third-party custodians. The client is free to use any brokerage firm for his or her securities transactions and have the assets transferred to an approved custodian for management. LWSI may receive all or a part of the brokerage "ticket charge" to the extent such transactions are effected through LWSI, with its correspondent clearing firm — Pershing LLC. Loring Ward may also receive a portion of the fees paid in other investment funds, such as State Street Bank's or Pershing LLC's affiliated money market funds. Investments into mutual funds, affiliated and unaffiliated funds alike, are subject to their internal advisory and administrative fees incurred in their operation. Such fees are separate and apart from Loring Ward account fees. Additional information regarding mutual fund fees is contained in such fund's prospectus.

Upon termination of the advisory agreement, the client will receive a refund of any unearned administration fees previously paid or will receive a statement requiring payment of earned fees not yet paid, depending on the work performed by Loring Ward prior to termination.

**Strategic Portfolio Services.** Unaffiliated Investment Advisors and Broker-Dealers normally pay Loring Ward a portion of the fees they collect for providing portfolio construction and strategy advice. Such fees may be up to 1% of the amount of assets invested into Loring Ward model portfolios.

**Financial Planning.** Loring Ward charges hourly fees for financial planning services not otherwise compensated at a negotiable rate not to exceed \$500 per hour or for a set fee for the service. The client will be informed of the estimated fee at the time he or she enters into a Financial Planning Agreement with Loring Ward. The actual fee may be lower or higher than the estimated amount.

The recommendations provided to clients will be valid as of the date(s) provided and will not be valid for any period beyond such date(s). It is possible that because of differing client needs and circumstances, recommendations made to any one client may be contrary to recommendations made to other clients.

In providing a financial plan or financial planning consultation services, Loring Ward will not do a detailed analysis of a particular security. Rather, the analysis will utilize such financial planning techniques as a review of the client's financial circumstances and investment goals.

## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Loring Ward does not charge fees based upon a share of capital gains or the amount of capital appreciation of the assets of our clients.

## TYPES OF CLIENTS

Loring Ward provides its services to individuals, trusts, charitable institutions, investment companies, corporate and association pension plans and other tax qualified plans and their investment advisors. Generally, the minimum amount of an account or family of accounts is \$100,000, subject to negotiation.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Loring Ward utilizes investment strategies based upon target asset-class allocations to reflect client and advisor supplied information regarding the client's individual financial circumstances, expressed cash needs, risk tolerance and investment objectives. The asset-class allocation programs designate specified percentages within multiple securities asset-classes with the intent of creating a diversified investment portfolio of no-load (no sales commission) or low-load mutual funds. The client or his or her Advisor has the opportunity to review and approve such recommended asset allocation program.

Loring Ward does not recommend investments into individual securities. It utilizes a proprietary method of asset-class allocation based upon academic and behavioral economic studies. Loring Ward's asset-class allocation programs and advice concerning securities is based upon publicly available research and reports regarding Efficient Markets Theory adjusted for certain behavioral economic factors. The asset-class allocations are adjusted for risk (defined as historic market volatility over identified periods of time). Its recommendations are designed for longer-term investors. Loring Ward uses financial simulation programs which calculate

the effects of various historical rates of return from different asset-classes to assist in the preparation of asset allocation plans.

All investments are subject to risk. The Loring Ward portfolios attempt to historically quantify risks and minimize certain risks by diversification among different types of asset classes. There is no assurance that Loring Ward will be successful and the clients are advised that they are subject to the risks of the securities markets. These risks include general market trends, unintended concentrations in certain markets, sectors and individual issuers, government regulation and lack of sufficient market liquidity. Fixed income investments are subject to interest rate risks and volatility of market prices. Real estate securities are subject to property value changes, rental income, property taxes and tax and regulatory changes. Foreign securities and emerging market investments are subject to the same risks as discussed herein and subject to the risks of currency exchange rate changes, political instability, and different methods of accounting and finance reporting. The additional risks associated with small company and value securities may include increased volatility and less liquidity.

Should the client or Advisor direct the purchase of other securities in an unmanaged account, such assets are not managed by Loring Ward and Loring Ward does not collect an investment advisory fee on such assets.

## DISCIPLINARY INFORMATION

Loring Ward has not been a party to any material legal or disciplinary proceedings.

## OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Loring Ward is affiliated with LWSI and with certain other non-investment and advisory firms (see Advisory Business, above). LWSI is a fully-disclosed introducing securities broker-dealer utilizing Pershing LLC as its correspondent clearing firm and a member firm of Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation ("SIPC"). Some Loring Ward Advisor Representatives may also own or act as representatives of independent registered investment advisors. Some officers and/or representatives of Loring Ward are also registered principals or registered representatives of LWSI.

Loring Ward may recommend LWSI to act as an introducing broker for advisory accounts of Loring Ward or a third-party advisor,

subject to client direction. If designated as an introducing broker on client accounts of Advisor, pursuant to agreements between LWSI and the clearing brokers or banks holding those accounts, LWSI may receive a part of the transaction charges for trades in such accounts. LWSI currently has such an agreement with its clearing firm, Pershing LLC, and receives a portion of the "transaction charge" for trades in LWSI accounts held at Pershing LLC.

Loring Ward is the manager, administrator and shareholder servicing agent of SA Funds – Investment Trust, a family of publicly-offered mutual funds. Loring Ward defined the investment objectives of the SA Funds, manages the SA Funds, monitors the Sub-Advisor and is responsible for the administration and shareholder servicing of the SA Funds.

For its services to the SA Funds and for providing asset allocation services to the SA Funds' investors, Loring Ward receives management, administration and shareholder servicing fees from each of the SA Funds. All of the officers of the SA Funds are employees of Loring Ward. They do not receive compensation from the SA Funds for this service. Loring Ward is compensated directly from the SA Funds, as described in the SA Funds' Prospectus. Loring Ward does not emphasize one fund over another except as part of an overall investment portfolio strategy.

The Chairman of the Board of Loring Ward is also the owner and managing member of Werba Rubin Wealth Management LLC, a registered investment adviser, which is a client of Loring Ward.

Some representatives of Loring Ward may be also be licensed real estate and insurance brokers or salespersons, and represent clients in insurance and real estate transactions on a commission or fee basis. In each of these cases, these services are not provided by Loring Ward and, as such, any commissions or fees earned are paid to the individual service provider or the affiliate with whom the service provider is associated, not to Loring Ward. Certain Advisors may also be shareholders of the parent company of Loring Ward, although none of them own a controlling percentage of the outstanding shares of Loring Ward. To the extent that such Advisors recommend SA Funds for purchase by clients of Advisor, the Advisor may benefit (to the same extent as all other shareholders of Loring Ward) from the fees paid by the SA Funds to Loring Ward. Michael Demko, an investment advisor representative, is dually registered with Siena Wealth Management, Inc. His services to Siena and its clients are separate from the services provided or supervised by Loring Ward.

Loring Ward receives income from other formerly affiliated entities or divisions of Loring Ward based upon assets under management and/or services rendered. Certain of these fees result from



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the sale of the affiliate or division and will continue for years. Loring Ward may provide consulting and advisory services to such entities that may be in competition with the services provided to clients of Loring Ward, and such services may be provided at a lower cost or be more extensive services at the same cost as those provided to Loring Ward clients.

## CODE OF ETHICS

Loring Ward has adopted a Code of Ethics for all supervised persons of the firm describing its standard of business conduct, and fiduciary duty to its clients. All supervised persons at Loring Ward must acknowledge the terms of the Code of Ethics annually, or more frequently if amended. Loring Ward's employees and persons associated with Loring Ward are required to follow this Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Loring Ward and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Loring Ward's clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Loring Ward will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Loring Ward's clients. Employee trading is monitored for compliance with the Code of Ethics, and to reasonably prevent conflicts of interest between Loring Ward and its clients. Loring Ward anticipates that it may recommend the purchase or sale of securities to investment advisory clients or prospective clients in which Loring Ward, its affiliates, the SA Funds and/or clients, directly or indirectly, have a position or interest. It is the policy of Loring Ward that its associated persons shall place the interests of clients first. All personal securities transactions of such persons shall be conducted in a manner as to avoid any actual or potential conflicts of interest or any abuse of a position of trust and responsibility or operate as a deceit. Loring Ward must use reasonable diligence and institute procedures reasonably necessary to prevent violations of its Code.

Clients or prospective clients of Loring Ward may obtain a copy of its Code of Ethics without charge by calling (800) 366-7266 and asking for the Compliance Department.

## BROKERAGE PRACTICE

If the client does not already have a broker-dealer to use as a custodian, Loring Ward may suggest that a client designate a custodian from among Pershing LLC, LWSI's clearing firm or from Fidelity Brokerage Services LLC, Charles Schwab & Company, Inc. or TD Ameritrade, unaffiliated custodians. Factors considered in selecting the custodians suggested by Loring Ward include the ease with which Loring Ward can conduct day-to-day administration of accounts with such custodians; the ease with which clients can open accounts, obtain information and execute trades with such custodians; and reasonableness of transaction commissions and fees. In considering the reasonableness of commissions, the client should take into account the expense of commissions and account fees relative to other available custodians, in conjunction with an evaluation of the services provided. Such custodians do not provide "soft-dollar" or other compensation to Loring Ward for their services.

Through certain of its operations personnel, Loring Ward serves on the TD Ameritrade Institutional Operations Panel (the "Panel"). The Panel consists of approximately twenty-four independent investment advisors that advise TD Ameritrade Institutional on issues relevant to the independent advisor and their experience with TD Ameritrade's service, technology and products. TD Ameritrade does not compensate Panel members, but it does pay and/or reimburse Panel members for travel, lodging and meal expenses Panel members incur in attending Panel meetings. The reimbursements received by Panel members do not depend on the amount of brokerage transactions directed to TD Ameritrade.

Loring Ward may have limited discretionary authority with regard to its management of the SA Funds' securities. This authority would include the ability to determine the amount of the securities to be purchased or sold to meet the asset-class allocation target. However, because the SA Funds have engaged Dimensional Fund Advisors Inc. as a sub-adviser, Loring Ward currently does not directly exercise this discretion.

Loring Ward will reimburse accounts for losses resulting from errors in its administration, but does not credit accounts for market losses or its errors resulting in market gains. The gains and losses are reconciled within a Loring Ward firm custodian account and the net gains or losses are retained by Loring Ward.



## REVIEW OF ACCOUNTS

Loring Ward recommends to the Advisor a target asset-class allocation portfolio for a client, and the mutual funds to implement the asset-class allocation by calculating historical rates of return, investment time horizons and risk tolerances for an investor's expressed financial goals. Periodically Loring Ward reviews the investment portfolio and repositions assets to bring them closer to their target allocations, unless the client or his or her Advisor has requested otherwise. More frequent re-allocations may occur when investors give instructions to change their target allocations or make significant additions to or withdrawals from their accounts. Loring Ward's Investment Committee determines the portfolio recommendation policy, the approximate allocation percentages for each level of client risk (historic volatility) and the target variance tolerance band within each of the asset-class funds. At any time, including following a rebalancing to a target reallocation, the client's account may not be the same as the target allocation. Variations from the target allocation may exist at any time and in varying amounts. Written quarterly reports containing information about a client's portfolio, asset allocation, performance, and fees are sent to clients subject to instruction from the client's Advisor. The client's selected custodian also sends separate account statements to clients on a monthly and/or quarterly basis.

Loring Ward encourages Advisors whose clients have accounts with Loring Ward to contact their clients on a periodic basis and to notify Loring Ward of any changes to clients' instructions, address of record, risk tolerance, suitability information or investment objectives. In addition, Loring Ward Advisor Representatives normally have contact with the client at least annually to review any changes in the client's financial situation, needs or investment objectives, as well as the suitability of the current asset allocation program developed for the client. A representative of Loring Ward is available for the client's or Advisor's consultation during normal business hours.

## CLIENT REFERRALS AND OTHER COMPENSATION

Loring Ward shares its compensation with solicitors from services provided under Synvest Asset Management and Structured Asset Management accounts, which are only available to "grandfathered" Advisors. Additionally, Loring Ward or LWSI may receive compensation from unrelated investment companies and/or their sponsors or affiliates, for marketing or investments in their sponsored funds. This may take the form of a portion of the advisory or other related fees paid to the investment

fund. For example, certain Pershing money market funds make such payments to LWSI based upon investments by LWSI clients.

Loring Ward is a party to written agreements with certain Advisors, pursuant to which Loring Ward pays such Advisors who refer clients to Loring Ward compensation equal to a percentage of the investment advisory or shareholder servicing fees received by Loring Ward from clients introduced to Loring Ward by those Advisors. In most cases, the referral fees are paid at a stated rate subject to a declining scale based upon total assets per client or Advisor. Such Advisors may have personal accounts with Loring Ward, which Loring Ward may provide free of charge. From time to time, Loring Ward may extend a loan or make payments to an investment advisor representative or registered investment adviser or otherwise assist in the purchase of the business of another advisor or to an advisor or his estate as part of a business continuity service. Such loans may be at rates and terms more advantageous than that which may otherwise be available generally. Such loans, if granted, are not contingent upon new asset goals or the direction of additional assets under management. Loring Ward may also pay and/or reimburse certain Advisors marketing, administrative and service fees and/or re-allow shareholder servicing fees for performing certain shareholder services provided by such Advisors in connection with educating and assisting certain clients who purchase shares of the SA Funds.

In addition, as part of its services to Advisors, Loring Ward sponsors due diligence and educational seminars for selected Advisors. Invitations are issued at Loring Ward's discretion. Special educational sessions provide an opportunity to introduce Advisors to one another, to solicit ideas from the participants about practice management, sales and marketing opportunities, and to provide advanced technical and sales education. These sessions may be sponsored and paid for by Loring Ward at no additional cost to Loring Ward's clients. Loring Ward may pay for all or a part of the travel and other expenses of each Advisor associated with attendance at such due diligence and training seminars in return for their advice and participation. Loring Ward also enters into arrangements with certain Advisors and broker-dealers in which Loring Ward reimburses a portion or all of the expenses associated with sponsoring educational seminars and marketing events for clients and/or potential clients.

In recognition of the supervisory responsibilities and marketing expenses broker-dealers have with regard to their registered representatives, Loring Ward has signed agreements with various broker-dealers stating the terms under which those broker-dealers authorize their registered representatives to refer potential investors to Loring Ward. In most cases, these agreements pro-

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vide for the payment and/or reimbursement of all fees pertaining to Loring Ward accounts directly to the cooperating broker-dealers. In addition, Loring Ward normally pays or reimburses such broker-dealers up to ten percent of the advisory fees it collects from investors referred by such broker-dealers' registered representatives. This payment is intended to compensate the broker-dealers for their supervisory and marketing efforts; it is in addition to, and not part of, the advisory or referral fee. Loring Ward may pay additional compensation or provide speakers and services to broker-dealers or Advisors to participate in selected marketing programs, conferences or events. Loring Ward receives assistance from DFA in the marketing of its services; shareholding servicing fees from the LWAS/DFA funds, an unaffiliated group of mutual funds; and from DFA in connection with the sale of DFA-related securities through the use of its facilities in Santa Monica, California and Austin, Texas for meetings, presentations and by providing speakers for various Loring Ward-sponsored educational events held for clients and their Advisors. DFA also provides materials and logistic support for such meetings.

## CUSTODY

Loring Ward does not take direct custody of client assets, but does have the ability to withdraw or direct the payment of advisory and account trading fees and expenses. Such fees are reflected on the statement you will receive from Loring Ward and from the broker-dealer, bank or other qualified custodian that holds your investment assets.

You should receive account statements from your custodian at least once each calendar quarter. Loring Ward urges you to carefully review such statements and compare the custodial statements to the Loring Ward account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. If you identify differences, please call Loring Ward's Compliance Department toll-free at (800) 366-7266 so reconciliation may be made.

## INVESTMENT DISCRETION

Loring Ward does not exercise investment discretion for its clients' accounts. Upon agreement with the client, Loring Ward will have received pre-approved authorization to trade identified securities held in custodial accounts within certain target allocation bands without obtaining specific client consent for each transaction, unless otherwise instructed. Loring Ward may exercise independent judgment in connection with the timing and execution of the purchase and sale of assets according to the instructions given to Loring Ward.

Should material life events occur, you should immediately contact your investment advisor to determine if changes to your account and the allocation of the assets held in the account are necessary. Such events include marriage, the birth of children, occupational changes, a death in the immediate family or any other event that may impact your financial future or risk tolerance.

## VOTING CLIENT SECURITIES

Loring Ward does not receive the authority to vote proxies for issuers represented in clients' accounts. Clients may contact Loring Ward directly at the phone number or address listed on the first page of this document to obtain information or instruct Loring Ward to vote on behalf of the client. It has delegated to DFA voting of the shares of issuers held in the SA Funds.

## FINANCIAL INFORMATION

Loring Ward is not aware of any financial commitment that is likely to impair its abilities to provide the services identified above.