

ADV, Part 2

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This brochure provides information about the qualifications and business practices of LePew Financial Services, Inc. ("LFS"). If you have any questions about the contents of this brochure, please contact us at 803-329-5125 and/or marsha@lepew.com. Neither the United States Securities and Exchange Commission, nor any state securities authority approves or verifies the information in this brochure.

LFS is an Investment Adviser, registered under the securities laws of the state of South Carolina. Registration of an Investment Adviser does not imply any level of approved skill or training, nor does it imply approval of LFS' business.

Additional information about LePew Financial Services, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

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

Generally, LePew Financial Services, Inc. will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

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Item 4 - Advisory Business

- A. LePhew Financial Services, Inc. ("LFS") is a Registered Investment Advisor. We began operations in 1999, and our principal owner is Marsha G. LePhew, CPA/PFS, CFP, ChFC.
- B. LFS provides financial planning and investment advisory services to its clients. LFS's approach is to gain an understanding of a client's entire financial status and to work with the client to establish and move towards achieving financial goals, while staying within an acceptable risk tolerance level.

Financial plans may include the following documents as applicable: financial statement, net worth trends, life and disability insurance analysis, income tax planning, estate tax planning documentation, college funding planning, retirement projections, asset allocation review, review of specific investment holdings, and other specific recommendations as may be appropriate.

- C. Advisory services are tailored to the unique circumstances of each individual client. Specific recommendations are not provided until an understanding of the client's financial situation and their goals and objectives has been obtained. Recommendations will vary from client to client. Clients may request that specific investments be held or not held in their portfolios. Unless there is a specific reason why it is felt the request is not in the client's best interest, the request would be granted.
- D. We do not participate in "wrap fee" programs.
- E. As of 12/31/11, we managed our clients' assets on a discretionary basis, as follows:

Discretionary basis	\$ 90,054,997
Non-Discretionary basis	<u>\$ 0</u>
Total Assets under Management	\$ 90,054,997

Item 5 - Fees and Compensation

- A. We receive compensation for our advisory services through fees we bill to our clients.

Financial Planning Fees

Fees for initial financial plans are quoted at the beginning of the engagement and typically range from \$500 to \$2,000. The exact fee depends upon the complexity of the client's financial situation and the amount of time estimated to complete the plan. Payment of fees is not requested until after the plan is presented to the client and the client is satisfied with the services provided. At the conclusion of receiving their

initial financial plan, clients are given an opportunity to become ongoing clients of the firm. Ongoing clients may receive advice at any time.

Investment Management and Ongoing Financial Planning Fees:

Fees for ongoing financial planning and investment management services are calculated based on a percentage of assets under management (AUM). The annual fee schedule for these services is as follows:

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$500,000	1.00%
Next \$500,000	0.75%
Balance over \$1,000,000	0.50%

The minimum annual fee for any account is \$2,500. LFS may, at its discretion, negotiate minimum annual fees. There is no minimum portfolio value.

- B. Investment advisory fees will be drafted from your Schwab accounts in arrears on a quarterly basis.
- C. You may be charged management fees and expenses by mutual funds, custodians, brokers or other third-party consultants. You will also incur transaction and brokerage costs for some securities transactions. All of these fees are separate and distinct from our management fees, and we do not receive any of these “outside” fees. Please refer to Item 12 – Brokerage in this Brochure for additional information on brokerage costs.
- D. We do not require fees to be paid in advance.
- E. We do not accept compensation for the sale of securities or other investment products.
 - E.1. We recommend “no-load” mutual funds to our clients.
 - E.2. You have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.
 - E.3. We do not generate revenue from commissions generated from the sale of investment products.
 - E.4. We do not charge commissions or markups.

Item 6 – Performance-Based Fees and Side-By-Side Management

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 - Types of Clients

Services are provided to individuals and trusts. Clients are not required to have any minimum amount of assets to become a client. However, a minimum annual fee of \$2,500 is normally charged.

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

- A. Assets are invested based upon individual target asset allocations determined after obtaining an understanding of each client's goals and objectives and tolerance of volatility. The total portfolio is balanced first between fixed income and equity investments. The equity investments are then diversified as to size of companies being invested in, as to a value or growth orientation, and as to domestic or international holdings. As the market moves, individual client allocations are periodically reviewed and rebalanced to their stated target allocation. There may be periods where market conditions vary extremely from norms. During those periods, tactical asset allocation may be used where client portfolios are invested in variance from their stated target allocation. However, these situations will be rare and would be discussed with the client in advance. Despite the best attempts to broadly diversify a portfolio, investing in securities always involves risk of loss that each client must be prepared to bear.
- B. In extreme situations where all asset classes decline in value, even a well-diversified portfolio should be expected to decrease in value.
- C. In addition to mutual funds, individual bonds are sometimes purchased. It should be noted that there is more concentrated risk related to individual bond holdings. In the event, the issuer of the bond should default, the full amount invested in the bond could be lost.

Item 9 - Disciplinary Information

There are no legal or disciplinary events that are material to your evaluation of LFS or the integrity of our management.

Item 10 - Other Financial Industry Activities and Affiliations

- A. We are not registered nor do we have applications pending to register as a broker-dealer or registered representative of a broker-dealer.
- B. We are not registered nor do we have applications pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor or associated person of the foregoing entities.
- C. LFS contracts with AFS (Advanced Financial Strategists, Inc.) to provide certain administrative services including trade processing, record maintenance, report preparation, research and the collection of management fees. Clients of LFS execute a Limited Power of Attorney in favor of AFS as required for them to carry out these services. The administrative support provided by AFS further benefits LFS clients under its DRP (Disaster Recovery Plan) by providing a backup system to avoid interruption of services to LFS clients. This relationship is fully disclosed in the LFS Investment Advisory Agreement and clients do not pay a higher fee as a result of LFS's relationship with AFS.

Marsha G. LePew also is a 100% owner of Marsha G. LePew, CPA, PC, an accounting firm. This does not create a material conflict of interest with clients.

- D. We do not recommend or select other investment advisors for our clients.

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

- A. LFS has a duty to exercise its authority and responsibility for the benefit of its clients, to place the interests of its clients first, and to refrain from having outside interests that conflict with the interests of its clients. LFS and its employees will avoid any circumstances that might adversely affect, or appear to affect, its duty of complete loyalty to its clients. We will provide a copy of our entire Code of Ethics upon request.
- B. LFS does not recommend any securities to our clients in which we have a material financial interest.
- C. LFS and its related parties may invest in the same securities as those we recommend to our clients. We base our trading decisions on prevailing market conditions and individual investment objectives. Since we are not market makers in any type of security, we do not consider this practice to be a conflict of interest for our clients.
- D. LFS may buy and/or sell certain securities for our clients at or about the same time as we transact in those same securities for our own accounts. We prohibit our

employees from knowingly timing their transactions in order to benefit from better pricing. Our Chief Compliance Officer reviews all employee trading records on a regular basis to ensure compliance with our Code of Ethics and our Personal Securities Transactions Policy.

Item 12 - Brokerage Practices

A. Brokerage Selection Process

We have discretion to choose brokerage services for our clients, based on factors other than commission rates. You may not pay the lowest available brokerage commission rate if we determine that such a rate does not represent the value of the related brokerage and its research services. Annually, we examine our business relationships with broker dealers, and research competitor services to determine which arrangements should be continued, deleted or added. We consider the following factors when selecting an executing broker dealer:

- Quality of overall execution services
- Speed of execution
- Dedicated telephone lines and hours of operation
- Dedicated representative or team
- Creditworthiness, financial condition and business reputation
- Research (if any) provided
- Promptness and accuracy of oral, hard copy and electronic reports of execution
- Ability and willingness to correct trade errors
- Promptness and accuracy of confirmation statements
- Ability to access various market centers
- Facilities, including any software or hardware provided to the adviser
- Commission charged
- Historical commission rates
- Reliability
- Ability to use Electronic Communication Networks to gain liquidity, price improvement, lower commission rates and anonymity
- Execution and operational capabilities of its clearing firm(s)
- Regulatory deficiencies (if any)

Suggested Brokers

We participate in the institutional brokerage program at Charles Schwab (“Schwab”), which is a FINRA-registered broker dealer. We recommend Schwab to those clients who need custodial brokerage services. For our participation in this program, we receive certain non-financial benefits over and above execution of transactions.

“Soft Dollar” Benefits

The products and services that we receive other than execution help to serve all our accounts, and are called “soft dollar benefits.” They include: duplicate client confirmations and bundled duplicate statements; access to a trading desk and

customer service department that serve advisor participants exclusively; access to an aggregate trading platform; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communication network for client order entry and account information; compliance publications; in-person and web-based educational seminars; and access to mutual funds which otherwise require significantly higher minimum initial investments or are generally available only to institutional investors.

Schwab also provides consulting services, publications, and presentations on practice management, information technology, business succession, and marketing. Schwab may arrange for, discount, waive and /or pay for these services if the services are provided by independent third-parties.

Soft Dollar benefits do not necessarily depend upon the proportion of transactions or assets in custody we direct to Schwab.

Brokerage for Client Referrals

We do not consider, in selecting or recommending broker-dealers, whether we receive referrals from them or their related third parties.

B. Aggregate Trading

Sometimes we execute a particular transaction on a larger, aggregate basis so that our clients receive uniform pricing on it. We do this for convenience, with no harm to our clients. We continually monitor the financial markets, and will make aggregate trading decisions on a case-by-case basis.

Item 13 - Review of Accounts

- A. All clients are encouraged to provide us with information to update their complete financial plans on an annual basis. In addition to the full annual updates, all accounts are reviewed on a quarterly basis. All annual updates and quarterly reports are reviewed by Marsha G. LePew.
- B. In addition to the above, asset allocations for clients may also be reviewed when the market is experiencing extreme volatility or when clients add or remove assets from their account. Complete interim financial plan updates are also prepared anytime upon the request of the client. This typically occurs upon some type of life event such as pending retirement, death, divorce, etc.
- C. Annual written financial plan updates prepared and presented to clients include as applicable: financial statement, net worth trends, life and disability insurance analysis, income tax planning, estate tax planning documentation, college funding planning, retirement projections, asset allocation review, review of specific investment holdings, and other specific recommendations as may be appropriate. Quarterly written reports prepared and delivered to clients include: portfolio

positions, time-weighted returns, realized and unrealized gains and losses, detailed transaction reports, and quarterly fee statements. Additionally, clients receive monthly statements from their custodian.

Item 14 - Client Referrals and Other Compensation

We do not directly or indirectly compensate any person for client referrals.

Item 15 - Custody

All our client funds and securities are held at an independent qualified custodian (Charles Schwab). In the normal course of business, we do not maintain possession or custody of client funds and/or securities. However, advisory fees are deducted from clients' accounts. Our clients' custodian sends monthly account statements directly to our clients. These statements show that client-approved advisory fees are deducted directly from the clients' accounts on a quarterly basis.

We also send quarterly statements to our clients. LFS encourages clients to review the statements and compare them to the monthly statements received directly from the custodian.

Item 16 - Investment Discretion

We manage our client accounts on a discretionary basis.

Discretionary authority means that we identify securities to be bought and sold, allocate and rebalance assets and determine the amount of such transactions. We exercise this discretion so that it is consistent with your investment objectives.

Prior to exercising our discretionary authority over your accounts, we obtain your written approval via an *Investment Advisory Agreement* and *Limited Power of Attorney*.

Item 17 – Voting Client Securities

- A. LFS will not exercise proxy voting authority over its client's securities. The obligation to vote client proxies shall at all times rest with the client.
- B. LFS does not have authority to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact LFS with a question about a particular solicitation by phone at 803-329-5125 or by email at marsha@lephew.com

Item 18 – Financial Information

We are required to provide you with certain financial information or disclosures.

- A. We do not require or solicit pre-payment of more than \$1,200 in fees per client, six months or more in advance.
- B. We hold no financial conditions that would impair our ability to meet contractual commitments to our clients.
- C. We have not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19 – Requirements for State-Registered Advisers

A. Executive Officer's Education and Business Background

Marsha G. LePew, CPA/PFS, CFP, ChFC

Education:

Concord College, Athens, West Virginia
Bachelor of Science in Business Administration, 1980

Examinations/Certifications:

Chartered Financial Consultant (ChFC), The American College, 1989
Certified Public Accountant (CPA), SC State Board of Accountancy, 1991
Certified Financial Planner (CFP), International Board of Certified Financial Planners, 1992
Personal Financial Specialist (PFS), AICPA, 1997
NASD Series 65, Uniform Investment Adviser Law Exam, 1999

Business Background:

President, Marsha G. LePew, CPA, PC 1991 - present
President, LePew Financial Services, Inc., 1999 - present

- B. Marsha G. LePew, 100% owner of LFS, is also 100% owner of Marsha G. LePew, CPA, PC, a public accounting firm. She may spend up to 20% of her time engaged in the activities of the CPA firm. The fees charged for CPA services are separate and apart from fees charged to Investment Advisory Clients.

LePew Financial Services, Inc. and Marsha G LePew, CPA, PC share common clients. While clients are obviously aware of the relationship, LFS does not actively solicit clients through the CPA firm for the Investment Advisory Firm or vice versa.

- C. LFS does not receive compensation from performance-based fees.
- D. 1. LFS or related persons have not been found liable in any arbitration claims.
2. LFS or related persons have not been found liable in a civil, self-regulatory organization, or administration proceeding.
- E. No one at LFS maintains a relationship with any issuer of securities.

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