

# **LEXINGTON WEALTH MANAGEMENT, INC.**

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This brochure provides information about the qualifications and business practices of Lexington Wealth Management, Inc. (hereinafter LWM or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at this telephone number listed above. 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 Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, LWM is required to discuss any material changes that have been made to the brochure since the last annual amendment dated March 31, 2016. No substantive changes have been made. As such, there are no material changes to disclose pursuant to this Item.

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## **Item 4. Advisory Business**

LWM believes that wealth is not just about numbers but also about Connecting the heart and the head of wealth management and the client's goals. As such, the Firm seeks to open up a dialogue to find out what makes a client unique. For that reason, LWM endeavors to address a client's individual financial needs and personal needs to understand the big picture: mindset, hopes, and dreams.

LWM offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to LWM rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with LWM setting forth the relevant terms and conditions of the advisory relationship (the "Advisory Agreement") or investor agreement.

LWM was originally founded under the name Lexington Advisors in 1997. In January 1998, the name of the firm was officially changed to Lexington Wealth Management Inc. It is owned by Michael Tucci and Kristine Porcaro. As of December 31, 2016, LWM had \$730,000,000 assets under management, all of which was managed on a discretionary basis.

While this brochure generally describes the business of LWM, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on LWM's behalf and is subject to the Firm's supervision or control.

### **Financial Planning, Family Office and Consulting Services**

LWM offers clients a broad range of financial planning, family office and consulting services, which may include any or all of the following functions:

- Business Planning
- Retirement Planning
- Divorce Planning
- Net Worth-Cash Flow Forecasting
- Risk Management
- Trust and Estate Planning
- Charitable Giving
- Financial Reporting
- Distribution Planning
- Insurance Planning
- Manager Due Diligence
- Bill pay
- Family Governance
- Serve as family CFO
- Assist with Concierge services

By in large, these services are rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below) though they may be offered on a standalone basis.

In performing these services, LWM is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. LWM may recommend clients engage the Firm for additional related services and/or

other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage LWM or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by LWM under a financial planning, family office or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising LWM's recommendations and/or services.

## **Investment and Wealth Management Services**

LWM manages client investment portfolios on a discretionary basis.

LWM primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, options and independent investment managers ("Independent Managers") in accordance with their stated investment objectives. In addition, LWM may also recommend that certain eligible clients invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds).

Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage LWM to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, LWM directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

LWM tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. LWM consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify LWM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if LWM determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## **Use of Independent Managers**

As mentioned above, LWM may select certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

LWM evaluates a variety of information about Independent Managers, which may include the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. LWM also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

LWM continues to provide services relative to the discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. LWM seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

## Item 5. Fees and Compensation

LWM offers services on a fee basis, which may include fixed and/or hourly fees, as well as fees based upon assets under management or advisement.

### Financial Planning and Consulting Fees

LWM generally charges a fixed, retainer, and/or hourly fee for providing financial planning, family office and consulting services under a stand-alone engagement. These fees are negotiable, but generally range from \$250 to \$350 on an hourly basis, or a flat fee or retainer fee based on the scope of work depending upon the scope and complexity of the services and the professional rendering the family offices services and/or the consulting services.

#### *Financial Planning Services*

Basic Plan-Net Worth, Cash Flow	\$3,000
Additional Add-on Planning Services Education Goals	\$1,000
Insurance Planning	\$1,000
Retirement Planning	\$1,000
Investment Planning	\$1,000
Long Term Care Plan	\$1,000
Estate Planning with Referral	\$1,000

#### *Service*

Portfolio Analysis	\$2,000
Investment Policy Statement	\$2,000
Business Planning	\$5,000

If the client engages the Firm for additional investment advisory services, LWM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning, family office and/or consulting services.

The terms and conditions of the financial planning, family office and/or consulting engagement are set forth in the Advisory Agreement and LWM generally requires one-half of the fee (estimated hourly or fixed, retainer) payable upon execution of the Advisory/Consulting Agreement. The outstanding balance is generally due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

### Investment Management Fees

LWM offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee generally varies between 30 and 150 basis points (0.30% – 1.50%), in accordance with the following fee schedule:

<b>PORTFOLIO VALUE</b>	<b>BASE FEE</b>
Up to \$1,000,000	1.50%
Next \$4,000,000	1.00%
Next \$5,000,000	0.75%
Next \$15,000,000	0.50%
Next \$25,000,000	0.40%
Above \$50,000,000	0.30%

The annual fee is charged from the date the advisory agreement is signed and charged quarterly, in advance, based upon the market value of the assets being advised/managed by LWM on the last day of the previous billing period.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate. Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), LWM may negotiate a fee rate that differs from the range set forth above.

### **Fee Discretion**

LWM may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

### **Additional Fees and Expenses**

In addition to the advisory fees paid to LWM, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees charged by the Independent Managers, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

Clients generally provide LWM and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to LWM. Alternatively, clients may elect to have LWM send a separate invoice for direct payment.

## **Account Additions and Withdrawals**

Clients may make additions to and withdrawals from their account at any time, subject to LWM's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients may withdraw account assets on notice to LWM, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. LWM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

LWM does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

LWM offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Fee**

As a condition for starting and maintaining an investment management relationship, LWM generally imposes a minimum quarterly fee of \$5,000. This minimum fee may cause clients with smaller portfolios to incur an effective fee rate that is higher than the Firm's stated fee schedule. LWM may, in its sole discretion, elect to waive its minimum fee based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities.

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

### **Methods of Analysis**

LWM uses a variety of inputs in providing advice to its clients. Among other inputs, LWM utilizes the services of Rocaton Investment Advisors LLC ("Rocaton") in developing its advice. Rocaton provides advice on model portfolios which leverage Rocaton's proprietary capital markets forecasting models. Rocaton's forecasts are updated quarterly, and are based on a fundamental understanding of the economic drivers of markets and the relationships across markets. Rocaton also provides fund research and monitoring as well as investment and fiduciary education. It is important to note that Rocaton provides advice only to LWM, and not to LWM's clients. Rocaton's advice serves only as an input to the advice provided by LWM, and LWM is solely responsible for the advice it provides to its clients..

### **Investment Strategies**

LWM recommends various investment strategies when providing asset allocation recommendations to



clients. The recommended strategies are based upon a client's goals and objectives. LWM will evaluate various investment alternatives, i.e. various asset allocations for investment with Investment Managers, to form a basis for the client in determining the strategies needed to achieve the client's investment goals and objectives.

## **Risk of Loss**

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of LWM's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that LWM will be able to predict those price movements accurately or capitalize on any such assumptions.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Use of Independent Managers*

As stated above, LWM may select certain Independent Managers to manage a portion of its clients' assets. In these situations, LWM continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, LWM generally may not have the ability to supervise the Independent Managers on a day-to-day basis.

### *Management through Similarly Managed "Model" Accounts*

LWM manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a

discretionary basis using one or more of its investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

## **Item 9. Disciplinary Information**

LWM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm does not have any other financial industry activities or affiliations that need to be disclosed.

## **Item 11. Code of Ethics**

LWM has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. LWM's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain LWM personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact LWM to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker/Dealers for Client Transactions**

LWM generally recommends that clients utilize the custody, brokerage and clearing services of Schwab Advisor Services<sup>TM</sup> (“Schwab”) and/or Fidelity.

Factors which LWM considers in recommending Schwab, Fidelity or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab/Fidelity may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab/Fidelity may be higher or lower than those charged by other Financial Institutions.

The commissions paid by LWM’s clients to Schwab/Fidelity comply with the Firm’s duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where LWM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution’s services, including among others, the value of research provided, execution capability, commission rates and responsiveness. LWM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist LWM in its investment decision-making process. Such research generally will be used to service all of the Firm’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because LWM does not have to produce or pay for the products or services.

LWM periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Software and Support Provided by Financial Institutions**

LWM may receive without cost from Schwab/Fidelity computer software and related systems support, which allow LWM to better monitor client accounts maintained at Schwab/Fidelity. LWM may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at Schwab/Fidelity. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit LWM, but not its clients directly. In fulfilling its duties to its clients, LWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that LWM’s receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm’s choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, LWM may receive the following benefits from Schwab/Fidelity:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;

- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

### **Brokerage for Client Referrals**

LWM may consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party. This arrangement, the inherent conflicts of interest and the Firm's procedures for handling such conflicts are described at length in response to Item 14 below.

### **Directed Brokerage**

The client may direct LWM in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by LWM (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, LWM may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Trade Aggregation**

Transactions for each client generally will be effected independently, unless LWM decides to purchase or sell the same securities for several clients at approximately the same time. LWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among LWM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which LWM's Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. LWM does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a

pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

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

### **Account Reviews**

LWM monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with LWM and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

In addition to quarterly and annual reviews, accounts are reviewed when there is a triggering event. Events that would trigger the review of an account include, but are not limited to, client contributions or withdrawals, tax events, and changes in investment models/strategies.

### **Account Statements and Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from LWM and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from LWM or an outside service provider.

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

### **Client Referrals**

In the event a client is introduced to LWM by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from LWM's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with LWM's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of LWM is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

### **Schwab Advisor Network**

LWM receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through LWM's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with LWM. Schwab does not supervise LWM and has no responsibility for LWM's management of clients' portfolios or Advisor's other advice or services. LWM pays Schwab fees to receive client referrals through the Service. LWM's participation in the Service may raise potential conflicts of interest described below.

LWM pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at

Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by LWM is a percentage of the fees the client owes to LWM or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. LWM pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to LWM quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by LWM and not by the client. LWM has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs LWM charges clients with similar portfolios who were not referred through the Service.

LWM generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, LWM will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of LWM's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, LWM will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit LWM's fees directly from the accounts.

For accounts of LWM's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from LWM's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, LWM may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. LWM nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for LWM's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## **Item 15. Custody**

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize LWM and/or the Independent Managers to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to LWM.

In addition, as discussed in Item 13, LWM may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from LWM.

## **Item 16. Investment Discretion**

LWM may be given the authority to exercise discretion on behalf of clients. LWM is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts

without first seeking their consent. LWM is given this authority through a power-of-attorney included in the agreement between LWM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). LWM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The Independent Managers to be hired or fired.

## **Item 17. Voting Client Securities**

### **Declination of Proxy Voting Authority**

LWM generally does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## **Item 18. Financial Information**

LWM is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.