

**Item 1 – Cover Page**



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**[www.LabrumWealth.com](http://www.LabrumWealth.com)**

**March 18, 2014**

This Brochure provides information about the qualifications and business practices of **LABRUM WEALTH MANAGEMENT, LLC**. If you have any questions about the contents of this Brochure, please contact us at **760-707-5555**. 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.

**LABRUM WEALTH MANAGEMENT, LLC** is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about **LABRUM WEALTH MANAGEMENT, LLC** also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Form ADV Part 2A:

### Item 2 – Material Changes



Labrum Wealth Management's Form ADV Part 2A is an updated document prepared according to the SEC's requirements and rules, and is available in full at our website [www.LabrumWealth.com](http://www.LabrumWealth.com).

Since our last filing on October 21, 2013, we have made the following changes to our Form ADV Part 2A:

- The firm is no longer operating as a dba. The firm name is Labrum Wealth Management, LLC.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our **Brochure is available on our web site [www.LabrumWealth.com](http://www.LabrumWealth.com)** or can be requested by contacting Jordie Smith, Chief Compliance Office & Director of Client Operations at 760-707-5555. Our Brochure is free of charge.

Additional information about LABRUM WEALTH MANAGEMENT is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with LABRUM WEALTH MANAGEMENT who are registered, or are required to be registered, as investment adviser representatives of "LABRUM WEALTH MANAGEMENT".

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## Item 4 – Advisory Business

### Firm Description

Labrum Wealth Management, LLC (hereinafter referred to as “LWM” or the “Adviser”) was founded in 2009 and is an investment adviser registered with the Securities & Exchange Commission (“SEC”) providing financial planning, consulting, and discretionary and non-discretionary investment management services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. The Adviser, depending upon the engagement, offers its services on a fee basis which may include hourly and/or fixed fees as well as fees based upon assets under management. Alternatively, certain of LWM’s investment adviser representatives may offer securities brokerage services and insurance products under a commission arrangement, which may be used to offset the Adviser’s fees (as discussed below). Prior to engaging LWM to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with the Adviser setting forth the terms and conditions under which LWM shall render its services (collectively the “*Agreement*”). LWM also sells annuities and insurance products for separate yet typical commissions.

### Principal Owner

Jason R. Labrum is 100% shareholder and President of LWM.

### Financial Planning and Consulting Services

The Adviser may provide its clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment related matters). LWM’s approach to providing this service starts with gathering information about the clients’ current financial position and objectives. We then assess the client’s goals, objectives, time horizon, and risk tolerance to compare where clients are today in relation to the attainment of their stated goals. A comprehensive plan thereafter is prepared to discuss their situation, along with various alternatives for consideration. At the end of the process, the clients will receive education about the alternatives recommended and will have the option of utilizing LWM to implement those plan recommendations.

In performing its services, LWM shall not be required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify LWM if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, or revising LWM’s previous recommendations and/or services.

As part of its financial planning or consulting services, LWM may recommend the services of itself, or one of its Associated Persons in their individual capacities as registered

representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if LWM recommends its own investment management services or if an LWM representative recommends products or services offered in such representative's capacity as a registered representative of a broker-dealer. However, in all cases, LWM and its Associated Persons will only make such recommendations if they believe them to be in the best interests of the client. The client is under no obligation to act upon any of the recommendations made by the Adviser under a financial planning/consulting engagement and/or engage the services of any such recommended professional, including the Adviser itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of LWM's recommendations.

### **Investment Management Services**

As stated above, LWM provides clients with discretionary and non-discretionary investment management services on a continuous basis. The investment advice provided is customizable, with each client's portfolio managed based upon the individual needs, objectives, and other financial goals of the client. Such advice will typically involve providing a variety of services and may include investment buy/sell recommendations, asset allocation, recommendation of independent advisers, and the selection of mutual funds and/or securities for the client's portfolio. Securities may include, but are not limited to, stocks, bonds, mutual funds, ETFs, limited partnerships or options. Client assets will be held with and traded through a qualified, third-party broker-dealer custodian at all times.

Labrum Capital may participate in an IPO in the event a portfolio manager deems it appropriate for eligible accounts, depending on client's needs and investment objectives. Desired allocations are submitted prior to the offering date, however, post execution allocations may vary. The Chief Compliance Officer or his designee reviews and approves all IPO allocations.

If an IPO indication of interest is filled in its entirety, securities purchased in the aggregate transaction will be allocated among accounts participating in the trade in accordance with the allocation statement. Account allocations are based on individual portfolio weightings and how the allocation will affect the balance of the portfolio. If the order is partially filled, the securities will be allocated pro rata based on the allocation statement. Where the full amount of a block execution is not executed, the partial amount actually executed will be allocated on a pro rata basis whenever possible. Where allocations received for Labrum Capital is only 100 shares, custodian regulation requires all shares must go to one account to meet the 100 share minimum. In this case the shares will be allocated based on a rotating basis per client involved in the offer.

At the onset of the client relationship, LWM memorializes each client's investment objectives, risk tolerance, investment guidelines, time horizons and other important and

necessary information in a Client Profile. Upon completion of the Client Profile, LWM and the client will determine the appropriate portfolio investment strategy based on contents of the Client Profile. Under all circumstances, Clients are responsible for promptly notifying LWM in writing of any material changes in the information furnished by the client in the Client Profile or information that is otherwise material to the client's financial situation, investment objectives, time horizon, risk tolerance and investment strategy or if they wish to impose any reasonable restrictions upon LWM's management services. In the event that a client notifies the Adviser of changes to the information in their Client Profile, LWM will review such changes and recommend any necessary changes to the client's portfolio. The Adviser generally will meet with all clients no less than annually to review the client's investment goals and current advisory portfolios.

The Adviser offers advice on each type of investment described in Part 2A of Form ADV. However, the Adviser intends to primarily allocate its client's investment management assets on a discretionary and/or a non-discretionary basis among exchange traded funds, mutual funds, individual debt and equity securities, options, alternative investments and *Independent Managers* (as defined below) in accordance with the investment objectives of the client.

The Adviser also may render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans. In so doing, LWM either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan. This relationship will be disclosed to clients.

The Adviser may also recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers either directly or through a wrap fee program ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the *Independent Manager(s)* shall be set forth in separate written agreements between (1) the client and the Adviser and (2) the client and the designated *Independent Manager(s)* and/or wrap fee program sponsor. The Adviser shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which the Adviser shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Manager*. Factors that the Adviser shall consider in recommending *Independent Managers* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Manager*, together

with the fees charged by the wrap fee program sponsor and corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, the Adviser's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by the Adviser, the designated *Independent Manager*, wrap fee program sponsor (if applicable), and corresponding broker-dealer and custodian. Any third-party investment adviser used by LWM will be registered as an investment adviser with the appropriate regulator(s).

In addition to the Adviser's written disclosure statement, the client shall also receive the written disclosure statement of the designated *Independent Manager* and wrap fee program sponsor (if applicable). Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than the Adviser. In such instances, the Adviser may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Manager(s)* or wrap fee program sponsor.

If the Adviser refers a client to certain *Independent Managers* where the Adviser's compensation is included in the advisory fee charged by such *Independent Managers* and the client engages those *Independent Managers*, the Adviser shall be compensated for its services by receipt of a fee to be paid directly by the *Independent Managers* to the Adviser in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee shall be paid solely from the *Independent Managers'* investment management fee or the program fee of the wrap fee program (as appropriate), and shall not result in any additional charge to the client.

### **Employer-Sponsored Retirement Plan Consulting**

LWM provides service to qualified and non-qualified retirement plans including 401(k) plans, 403(b) plans, pension and profit sharing plans, cash balance plans, and deferred compensation plans. Advisor may act as either:

- 1) *Limited Scope 3(21) Fiduciary*. LWM typically acts as a limited scope 3(21) fiduciary that can advise, help and assist plan sponsors with their investment decisions. The plan sponsor is still ultimately responsible for the decisions made in their plan, though using LWM can help mitigate that plan sponsor's liability by following a diligent process.
- 2) *3(38) Investment Manager*. LWM can also act as an ERISA 3(38) Investment Manager in which it has discretionary management and control of a given retirement plan's assets. LWM would then become solely responsible and liable for the selection, monitoring and replacement of the plan's investment options.

LWM offers the following services to the Plan and the Plan participants:

1. Fiduciary Services:

- a. Provide non-discretionary investment advice to the Client about asset classes and investment alternatives available for the Plan in accordance with the Plan's investment policies and objectives. Client will make the final decision regarding the initial selection, retention, removal and addition of investment options.
- b. Assist the Client with the selection of a broad range of investment options consistent with ERISA Section 404(c) and the regulations thereunder.
- c. Assist the Client in the development of an investment policy statement ("IPS"). The IPS establishes the investment policies and objectives for the Plan. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the IPS.
- d. Assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS and make recommendations to maintain, remove or replace investment options.
- e. Meet with Client on a periodic basis to discuss the reports and the investment recommendations.
- f. Provide non-discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(c) (5).

2. Non-fiduciary Services:

- a. Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client understands LWM's assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, LWM is not providing fiduciary advice as defined by ERISA to the Plan participants. LWM will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the Plan.
- b. Assist in the group enrollment meetings designed to increase perceived value and/or participation among retirement plan participants.

LWM may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between LWM and Client.

A specific description of the scope of engagement and client deliverables will be outlined in the client engagement agreement.

3. LWM has no responsibility to provide services related to the following types of assets ("Excluded Assets"):

- a. Employer securities;



- b. Real estate (except for real estate funds or publicly traded REITs);
- c. Stock brokerage accounts or mutual fund windows;
- d. Participant loans;
- e. Non-publicly traded partnership interests;
- f. Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
- g. Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in calculation of Fees paid to LWM under this Agreement.

### **Assets Under Management**

As of December 31, 2013, LWM has \$214,400,000 Assets Under Management (“AUM”) including: brokerage accounts custodied with Schwab and 401Ks/Pension Plans for which LWM provides ERISA 3(38) and or 3(21) fiduciary services. Of the total AUM, about \$162,800,000 is managed on a discretionary basis and \$51,600,000 is managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Financial Planning and Consulting Fees**

LWM charges a fixed fee and/or hourly fee for financial planning and/or consulting services. The Adviser’s financial planning and consulting fees are negotiable, but generally range from \$1,000 to \$10,000 on a fixed fee basis and/or from \$200 to \$500 on an hourly rate basis, depending upon the level and scope of the services provided and the professional rendering the financial planning and/or the consulting services. If a client engages LWM for additional investment advisory services, the Adviser may, in its discretion, offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging LWM to provide financial planning and/or consulting services, the client will generally be required to enter into a written agreement with the Adviser setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the client prior to the Adviser commencing services. Generally, LWM requires one-half of the financial planning/consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates the Adviser’s financial planning and/or consulting services, the balance of the Adviser’s unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services the client shall be entitled to a full refund.

In addition to financial planning fees charged to the client, the Adviser may earn advisory fees should a client choose to implement all or a portion of the plan through LWM. Similarly, LWM representatives may earn commissions and/or other fees should a client choose to implement all or a portion of the plan through Gradient Securities, LLC (an unaffiliated broker-dealer).

### **Investment Management Fees**

In the event the client determines to engage LWM to provide investment management services, the Adviser shall do so on a fee basis. If engaged, LWM shall charge an annual fee based upon a percentage of the market value of the assets being managed by the Adviser. As discussed in response to Item 12B (below), the Adviser's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. However, the Adviser shall not receive any portion of these commissions, fees, and costs.

The Adviser's annual fee shall be prorated and charged quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter, including accrued interest. For the initial quarter of investment management services, the first quarter's fees shall be calculated on a *pro rata* basis and will be due at the end of the initial quarter. Fees generally range between .30% and 1.50% of assets under management, but such fees are negotiable in the sole discretion of the Adviser.

The annual fee may vary depending upon the market value of the assets under management and the type of investment management services to be rendered. LWM and the client may agree upon a fee to be calculated at a specified percentage of assets under management without regard to increases in asset levels or, in the alternative, the applicable fee may be calculated in accordance with the Adviser's standard fee schedule subject to various breakpoints in asset levels, as set forth below. Please note that the fees set forth in the tables below will be retroactive back to the first dollar when a higher breakpoint has been achieved.

#### **Equity and Balanced Portfolios**

<b><u>ASSETS UNDER MANAGEMENT</u></b>	<b><u>ANNUAL FEE</u></b>
Up to \$499,999.99	<b>1.50%</b>
\$500,000 +	<b>1.35%</b>
\$1,000,000 +	<b>1.20%</b>
\$2,000,000 +	<b>1.00%</b>
\$5,000,000 +	<b>Negotiable</b>

## Fixed Income ONLY Portfolios

<b><u>ASSETS UNDER MANAGEMENT</u></b>	<b><u>ANNUAL FEE</u></b>
Up to \$499,999.99	<b>0.65%</b>
\$500,000 +	<b>0.60%</b>
\$1,000,000 +	<b>0.50%</b>
\$2,000,000 +	<b>0.40%</b>
\$5,000,000 +	<b>Negotiable</b>

The Adviser, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.). If a client has more than one portfolio under the professional services of the Adviser, the Adviser may elect at its sole discretion to aggregate client portfolios for the purpose of computing management fees.

Clients should be aware that if their portfolio is serviced via a third-party asset manager or “wrap-fee” program, the selected third party manager(s) may charge additional management and/or administration fees. The advisory fees by *Independent Managers* assessed will vary dependent upon the *Independent Manager(s)* selected, the size of the account and the services provided. The fees charged by the *Independent Managers* will include a portion which is delegated to LWM for its advisory services. Typically, this will be deducted from the client’s account with its custodian. For information regarding the *Independent Managers’* minimum account size, requirements, management services and associated advisory and referral fees, please refer to the *Independent Managers’* client disclosure brochure and other materials.

The client is responsible for selecting a qualified custodian for holding portfolio assets. In accordance with the client’s Investment Management Agreement, payment of LWM’s management fees will be made by the qualified custodian directly from the client’s account, unless otherwise noted. Further, the qualified custodian agrees to deliver an account statement, at least quarterly, to the client and the Adviser, showing all disbursements, including LWM’s advisory fees, deducted from the account. The client is encouraged to review all account statements for accuracy.

The client may make additions to and withdrawals from the account at any time, subject to the Adviser’s right to terminate an account. If assets are deposited into an account after the inception of a quarter that exceed \$25,000, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter. For partial withdrawals in excess of \$25,000 within a billing period, LWM shall credit any unearned fee towards the next quarter’s fee. Clients may withdraw account assets on notice to the Adviser, subject to the usual and customary securities settlement procedures. However, LWM designs its

portfolios as long-term investments and assets withdrawals may impair the achievement of a client's investment objectives.

Additions may be in cash or securities provided that the Adviser reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The Adviser may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

### **Additional Information on General Services and Fees**

The advisory fees charged are not calculated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)). Although LWM believes its advisory fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources.

Clients should understand that the financial planning and management fees described in the sections above do not include certain charges imposed by third parties such as fees charged by *Independent Managers*, custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be 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. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Clients should further understand that such charges, fees and commissions incurred in connection with transactions for a client's account will be paid out of the assets in the account and are exclusive of and in addition to the fees charged by LWM. LWM does not share in any of these fees but may elect at its option, to bear the cost of certain transactions under certain circumstances.

From time-to-time Advisor may make an error in submitting a trade order on your behalf. When this occurs, Advisor may place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, Advisor will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

## **EMPLOYER-SPONSORED RETIREMENT PLAN CONSULTING**

Based on the nature and scope of services desired by the client, fees charged may be any combination of A) an asset-based fee based on a percentage of the market value of included plan assets, B) flat fee, or C) hourly fee based on the scope of service desired by the client.

- Asset-based fee will not exceed 1% of the plan assets;
- Flat fee will range may range from \$1,000 and \$10,000; and/or
- Hourly fee of \$150 per hour.

Asset-based fees are billed quarterly in advance. The initial fee will be based on the market value of the Plan assets as calculated by the custodian or record keeper of the Included Assets on the first business day of the initial fee period. Initial fees for partial quarters are pro-rated. Asset-Based Fees are typically paid by the Plan through deductions from participant accounts, but may also be paid directly by Plan Sponsor. If direct payment by the Plan Sponsor is desired, they may choose to pay LWM directly via an ACH payment or have the amount deducted from another account managed by LWM. Client must provide written authorization in advance to allow debiting of their account. It is the Client's responsibility to verify the accuracy of fees paid.

For hourly fees, LWM will invoice the client for actual hours of service provided to the plan. Hourly Fees are invoiced and payable within (10) days of the mailing date of the Invoice.

Flat Fees are billed quarterly in advance. Initial fees for partial quarters are pro-rated. Flat Fees are typically paid directly by Plan Sponsor. If direct payment by the Plan Sponsor is desired, they may choose to pay LWM directly via an ACH payment or have the amount deducted from another account managed by LWM. Client must provide written authorization in advance to allow debiting of their account. It is the Client's responsibility to verify the accuracy of fees paid. Fees may also be deducted directly from participant accounts. Client must provide written authorization in advance to allow debiting of participant accounts.

The compensation of LWM for the services is described in detail in Schedule A of the ERISA Plan Agreement. The Plan is obligated to pay the fees; however the Plan Sponsor may elect to pay the fees. LWM does not expect to receive any additional compensation, directly or indirectly, for its services under this Agreement. If additional compensation is received, LWM will disclose this compensation, the services rendered, and the payer of compensation. LWM will offset the compensation against the fees agreed upon under this Agreement.

### **Termination of Client Agreements**

A copy of the Adviser's privacy policy notice and a written disclosure statement that meets the requirements of Rule 204-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"), shall be provided to each client prior to or contemporaneously with the execution of the *Agreement*. Any client who has not received a copy of the Adviser's written disclosure statement at least forty-eight (48) hours prior to executing the *Agreement* shall have five (5) business days subsequent to executing the agreement to terminate the Adviser's services without penalty.

Thereafter, the *Agreement* between the Adviser and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. The Adviser's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner. Neither the Adviser nor the client may assign the *Agreement* without the consent of the other party. Transactions that do not result in a change of actual control or management of the Adviser shall not be considered an assignment.

### **Other Compensation Information**

The specific manner in which fees are charged by LWM is established in a client's written agreement with LWM. LWM will generally bill its fees on a quarterly basis, in advance. Clients may elect to be billed directly for fees or to authorize LWM to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated during a calendar quarter will be charged a prorated fee. Upon termination of an account, any earned, unpaid fees will be due and payable at time of termination. Upon clients' written request, any prepaid, unearned fees on a terminated account will be refunded. All fees are subject to negotiation.

LWM's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to LWM's fee, and LWM shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that LWM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

In some cases, LWM has entered into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. LWM will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions there under, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, LWM shall include realized

and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for LWM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. LWM has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **Item 7 – Types of Clients**

LWM provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Corporations and charitable institutions.

### **Conditions for Managing Accounts**

The Adviser does not impose a minimum portfolio size or minimum annual fee. However, LWM reserves the right to accept or decline a potential client for any reason in its sole discretion.

Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than the Adviser. In such instances, the Adviser may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Manager* or wrap fee program sponsor.

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

“Investing in securities involves risk of loss that clients should be prepared to bear.”

Generally, the Adviser uses a variety of analytical information to assist with its security analysis. Such information may include fundamental and technical analysis, and from time to time cyclical analysis. The primary sources of information used by LWM include market news reports, financial publications, corporate rating services, outside research reports, annual reports, prospectuses, SEC filings and company press releases.

As noted above, LWM may invest its clients' assets with *Independent Managers* that pursue investment approaches that are diversified among multiple strategies, asset classes, regions, industry sectors and securities. When selecting an *Independent Manager* for a client, the Adviser shall review information about the *Independent Manager* such as its disclosure statement and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available.

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of LWM or the integrity of LWM's management. LWM has no information applicable to this Item.

## Item 10 – Other Financial Industry Activities and Affiliations

LWM may provide its clients with a broad range of comprehensive financial planning and/or consulting services (which may include non-investment related matters). The Adviser may charge a separate fee for these services which shall be agreed upon prior to rendering the services.

### **Broker Dealer Affiliation & Registered Representatives**

Certain representatives of LWM, in their individual capacities, are also licensed insurance agents with various insurance companies or are registered representatives of Gradient Securities, LLC. ("*GRADIENT*"), a securities broker-dealer registered with the SEC and member of the Financial Industry Regulatory Authority ("FINRA"). In this capacity, and pursuant to client instruction, these individuals may transact in various types of insurance products or securities and may receive separate and typical commissions or fees for doing so. While the Adviser does not sell such insurance products to its investment advisory clients, the Adviser does permit its investment adviser representatives, in their individual capacities, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that the LWM representative recommends the purchase of insurance products or securities where the LWM representative receives commissions or other additional compensation. LWM clients are not obligated to implement recommended transactions through any particular insurance company or broker-dealer or to purchase such products or services.

The officers and employees of LWM will devote as much time to the business and affairs of the Adviser as they believe is necessary to deliver the financial planning, consulting, and investment management services described herein, and may also devote a portion of their time to these other businesses activities mentioned below.

### **Insurance Agency Affiliation**

Advisory persons of LWM are also licensed insurance professionals. Insurance recommendations to Clients are implemented separate and apart from an Advisory Services. As an insurance professional, Advisory Persons may receive customary commissions and other related revenue from the various insurance companies whose products are sold.



This represents a conflict of interest because it gives an incentive to recommend products and services based on the commission and/or fee amount received. This conflict is mitigated by the fact that we have a fiduciary responsibility to place the best interest of the client first and the clients are not required to purchase any products or services. Clients have the option to purchase these products or services through another insurance agent, registered representative or tax preparer of their choosing.

### **Precious Metals**

LWM has a relationship with Fedelitrade for the purchase of precious metals. LWM will advise clients on investing in gold and assist clients in the purchase of precious metals. LWM will receive a 1% commission from Fedelitrade based on the purchase price.

This represents a conflict of interest because it gives an incentive to recommend products and services based on the commission and/or fee amount received. This conflict is mitigated by the fact that we have a fiduciary responsibility to place the best interest of the client first and the clients are not required to purchase any products or services. Clients have the option to purchase these products or services through agent, registered of their choosing.

### **Additional Custodian Compensation**

LWM generally recommends that clients use *Schwab* as their custodian and broker of record. While there is no direct link between the investment advice given to clients and LWM's recommendation to use *Schwab* as their custodian, certain benefits are received by LWM due to this arrangement. For example, the Adviser may receive from *Schwab*, without cost to the Adviser, computer software and related systems support, which allow the Adviser to better monitor client accounts maintained at *Schwab*. The Adviser may receive the software and related support without cost because the Adviser renders investment management services to clients that maintain assets at *Schwab*. The software and related systems support may benefit the Adviser, but not its clients directly. In fulfilling its duties to its clients, the Adviser endeavors at all times to put the interests of its clients first. Clients should be aware; however, that the Adviser's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence the Adviser's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, the Adviser may receive the following benefits from *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to a real time order matching system; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to an electronic communication network for client order entry and account information; the ability to have advisory fees directly

debited from client accounts (in accordance with federal and state requirements), availability of third party research and technology through 'soft dollar' arrangements.

## **Item 11 – Code of Ethics**

LWM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at LWM must acknowledge the terms of the Code of Ethics annually, or as amended.

LWM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which LWM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which LWM, its affiliates and/or clients, directly or indirectly, have a position of interest. LWM's employees and persons associated with LWM are required to follow LWM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of LWM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for LWM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of LWM 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 materially not interfere with the best interest of LWM's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between LWM and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with LWM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. LWM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the

initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

LWM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jordie Smith.

It is LWM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. LWM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

LWM's code of ethics sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Advisers Act, its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by the Adviser or any of its associated persons. The *Code of Ethics* also requires that certain of the Adviser's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Clients may contact the Adviser to request a copy of its *Code of Ethics*. Unless specifically permitted in the Adviser's *Code of Ethics*, none of the Adviser's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of the Adviser's clients.

When the Adviser is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when the Adviser is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. 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.

## **Item 12 – Brokerage Practices**

### **The Custodian and Brokers We Use**

LWM does not maintain custody of your assets that we manage; although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we or you instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so.

Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see *“Your Brokerage and Custody Costs”*).

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, ETFs, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices

- Reputation, financial strength, and stability
- Availability of other products and services that benefit us, as discussed below (see *“Products and Services Available to Us From Schwab”*)

### **Your Brokerage and Custody Costs**

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab’s commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *“How We Select Brokers/Custodians”*).

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts; while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab’s support services: Services That Benefit You. Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

### **Services That May Not Directly Benefit You**

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

### **Services That Generally Benefit Only Us**

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most

favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. We have \$ 160 million in client assets under management, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

### **Best Execution**

The commissions paid by the Adviser's clients shall comply with the Adviser's duty to obtain "best execution." If the client requests LWM to arrange for the execution of securities brokerage transactions for the client's account, the Adviser shall direct such transactions through broker-dealers that LWM reasonably believes will provide best execution. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while the Adviser will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

To ensure that brokerage firms recommended by LWM are conducting overall best qualitative execution, LWM will periodically (and no less often than annually) evaluate the trading process and brokers utilized. the Adviser's evaluation will consider the full range of brokerage services offered by the brokers, which may include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability. Clients have no obligation to open accounts with such custodial broker-dealers as the Adviser may recommend.

As discussed above, certain investment adviser representatives of the Adviser, in their respective individual capacities, are registered representatives of *GRADIENT*. These persons are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *GRADIENT* provides written consent. Therefore, clients are advised that certain investment adviser representatives may be restricted to conducting securities transactions through *GRADIENT* unless they first secure written consent from *GRADIENT* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *GRADIENT*, these investment adviser representatives are prohibited from executing securities transactions through any broker-dealer other than *GRADIENT* under *GRADIENT*'s internal supervisory policies. Prior to effecting any transactions, the client will be required

to enter into a new account agreement with *GRADIENT*. The brokerage commissions charged by *GRADIENT* may be higher or lower than those charged by other broker-dealers. LWM is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Soft Dollar Considerations**

Except for the indirect benefits that LWM may receive from *Schwab*, which may be deemed to fall outside the safe harbor of Section 28(e) of the Exchange Act ("Section 28(e)"), LWM's general policy is to comply with the provisions of Section 28(e) when entering into soft dollar arrangements. Section 28(e) generally allows investment advisers to use client commissions to pay for certain brokerage and research services under certain circumstances without breaching their fiduciary duties to clients. 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. A client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Adviser determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received.

Such research generally will be used to service all of the Adviser'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.

There may be cases when the Adviser may receive both non-research (e.g. administrative or accounting services etc.) and research benefits from the services provided by Schwab or other broker-dealers. If and when this happens, LWM will make a good faith allocation between the non-research and research portion of the services received, and will pay "hard dollars" (i.e. LWM will pay from their own monies) for the non-research portion. In making a good faith allocation between research services and non-research services, a conflict of interest may exist by reason of LWM's allocation of the costs of such services and benefits between those that primarily benefit the Adviser and those that primarily benefit clients. LWM strives to always put the client's interests first.

### **Directed Brokerage**

In circumstances where a client directs LWM to use a certain broker-dealer, LWM still has a fiduciary duty to its clients. The following may apply with directed brokerage: LWM's inability to negotiate commissions, to obtain volume discounts, there may be a disparity in commission charges among clients and conflicts of interest arising from brokerage firm referrals.



## **Investment or Brokerage Discretionary Authority**

LWM provides discretionary and non-discretionary investment management services. In exercising its discretionary authority, the Adviser will normally determine: (1) the type of securities to be bought and sold, (2) the dollar amounts of the securities to be bought and sold, (3) whether a client's transaction should be combined with those of other clients and traded as a "block," and (4) in some cases the commission rates and/or transactions costs paid to effect the transactions, without first obtaining client's permission for each transaction. Clients agree to this upon their signature of LWM's Discretionary Investment Management Agreement.

For accounts where LWM has agreed to provide non-discretionary investment management services, LWM will contact the client prior to placing any transactions in the client's account. For clients that are receiving financial planning or consulting services on a non-discretionary basis, LWM will make recommendations to the client regarding the purchase or sell of securities or other assets that they consider to be in the best interest of the client. The client has full discretion to accept or reject the Adviser's recommendations and is responsible for implementing any accepted recommendations with any broker-dealer the client's chooses.

All Clients are required to establish custodial accounts with a qualified custodian of record. Generally, LWM generally recommends Charles Schwab & Co., Inc. ("*Schwab*") for custodial services, but Clients are permitted to select another custodian. LWM may only implement its investment management recommendations after the client has arranged for and furnished LWM with all information and authorization regarding accounts with appropriate financial institutions to act as custodian. In addition, in most cases, a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should thoroughly consider, however, the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Except as provided for in any applicable wrap fee program, the brokerage commissions and/or transaction fees charged by *Schwab* or any other designated broker-dealer are exclusive of and in addition to the Adviser's fee.

## **Item 13 – Review of Accounts**

### **Reviews**

For those clients to whom the Adviser provides investment management services, the Adviser monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom the Adviser

provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of the Adviser’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Adviser and to keep the Adviser informed of any changes thereto. The Adviser shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

### **Nature and Frequency of Reports**

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom the Adviser provides investment advisory services will also receive a report from the Adviser that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as clients may request from time to time.

Those clients to whom LWM provides financial planning and/or consulting services will receive reports from the Adviser summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by the Adviser.

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

### **Solicitors**

If a client is introduced to LWM by either an unaffiliated or an affiliated solicitor, the Adviser may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Adviser’s investment management fee, and shall not result in any additional charge to the client. If the client is introduced to LWM by an unaffiliated solicitor, the solicitor shall provide the client with a copy of LWM’s Form ADV Part 2A or other written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor’s disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. The solicitor is required to obtain the client’s signature acknowledging receipt of LWM’s disclosure brochure and the solicitor’s written disclosure statement. Any affiliated solicitor of the Adviser shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of LWM’s Form ADV Part 2A or other written disclosure brochure at the time of the solicitation. Since in some states, a solicitor is also required to be qualified and registered as an investment adviser representative, LWM has developed internal controls for ensuring its IARs are registered as required.

## Other Compensation

LWM generally recommends that clients use *Schwab* as their custodian and broker of record. While there is no direct link between the investment advice given to clients and LWM's recommendation to use *Schwab* as their custodian, certain benefits are received by LWM due to this arrangement. For example, the Adviser may receive from *Schwab*, without cost to the Adviser, computer software and related systems support, which allow the Adviser to better monitor client accounts maintained at *Schwab*. The Adviser may receive the software and related support without cost because the Adviser renders investment management services to clients that maintain assets at *Schwab*. The software and related systems support may benefit the Adviser, but not its clients directly. In fulfilling its duties to its clients, the Adviser endeavors at all times to put the interests of its clients first. Clients should be aware; however, that the Adviser's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence the Adviser's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, the Adviser may receive the following benefits from *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to a real time order matching system; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to an electronic communication network for client order entry and account information; the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), availability of third party research and technology through 'soft dollar' arrangements.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

LWM may recommend that clients utilize the services of certain *Independent Managers* with whom LWM has established a referral relationship. Such referral relationship may result in the Adviser receiving a portion of the fees earned by such investment managers in connection with the investment made by the referred client. Prior to making an investment with an *Independent Manager* from whom LWM receives a referral fee, each client will be furnished with the relevant *Independent Manager's* Form ADV Part 2A or equivalent disclosure document. Any referral fee earned is in accordance with the requirements for Rule 206(4)-3 of the Advisers Act or corresponding state securities law requirements. The fees payable to LWM in connection with such referral relationships are payable out of the

fees earned by such *Independent Managers* and will not result in additional charge to the client. However, since such compensation may differ depending on the agreement with each *Independent Manager*, LWM may have an incentive to recommend one third-party adviser over another if the compensation arrangements are more favorable. This presents a potential conflict of interest between the interests of LWM and the interests of the clients.

As registered representatives of Gradient Securities, LLC, LWM's Investment Adviser Representatives may receive 12b-1 distribution fees, commissions and/or other compensation from investment companies for the placement of client funds into investment company shares or for the sale of other products (including insurance). In most cases, LWM will recommend products to the advisory clients that are available through Gradient Securities, LLC on which the LWM representatives may receive commissions, if such products are found to be suitable for such client objectives. This is fully disclosed to the client at the time of entering into an advisory contract.

While LWM and its representatives endeavor at all times to put the interest of the clients first as part of LWM's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates an inherent conflict of interest, and may affect the judgment of these individuals when making recommendations.

## **Item 15 – Custody**

All Clients are required to establish custodial accounts with a qualified custodian of record. Generally, LWM generally recommends Charles Schwab & Co., Inc. ("*Schwab*") for custodial services, but Clients are permitted to select another custodian. LWM may only implement its investment management recommendations after the client has arranged for and furnished LWM with all information and authorization regarding accounts with appropriate financial institutions to act as custodian. In addition, in most cases, a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should thoroughly consider, however, the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Except as provided for in any applicable wrap fee program, the brokerage commissions and/or transaction fees charged by *Schwab* or any other designated broker-dealer are exclusive of and in addition to the Adviser's fee.

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. LWM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial

statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab's account statements to the periodic account statements/portfolio reports you may receive from us.

## **Item 16 – Investment Discretion**

LWM provides discretionary and non-discretionary investment management services. In exercising its discretionary authority, the Adviser will normally determine: (1) the type of securities to be bought and sold, (2) the dollar amounts of the securities to be bought and sold, (3) whether a client's transaction should be combined with those of other clients and traded as a "block," and (4) in some cases the commission rates and/or transactions costs paid to effect the transactions, without first obtaining client's permission for each transaction. Clients agree to this upon their signature of LWM's Discretionary Investment Management Agreement.

For accounts where LWM has agreed to provide non-discretionary investment management services, LWM will contact the client prior to placing any transactions in the client's account. For clients that are receiving financial planning or consulting services on a non-discretionary basis, LWM will make recommendations to the client regarding the purchase or sell of securities or other assets that they consider to be in the best interest of the client. The client has full discretion to accept or reject the Adviser's recommendations and is responsible for implementing any accepted recommendations with any broker-dealer the client's chooses.

LWM, usually, receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, LWM observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, LWM's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to LWM in writing.

## Item 17 – Voting *Client* Securities

It is normally not the procedure for LWM to accept voting authority over any client's proxies. As a matter of firm policy and practice, normally LWM does not have any authority to and does not vote proxies on behalf of advisory clients. LWM may provide advice to clients regarding the clients' voting of proxies and under the circumstance that LWM takes responsibility for receiving and voting proxies for any and all securities maintained in client portfolios, we follow the procedures lined out in our Proxy Voting Policy.

In the event a proxy solicitation is sent to LWM on behalf of a client, LWM will forward the solicitation to the client's address of record immediately so that the client may cast the proxy vote.

The Investment Committee shall monitor the Firm's position regarding the voting of proxies. Should the Firm accept responsibility to vote proxies for clients, the firm should follow the LWM Proxy procedure to ensure that the Firm votes proxies in the best interests of its clients. Our Proxy Voting guidelines are designed to assist our Investment Committee in voting proxies for our clients' portfolios. In certain cases we may deviate from these guidelines if a company's particular situation demands it. However, the best interests of our clients always guide us.

LWM's proxy voting guidelines and procedures are written in our Proxy Voting Procedures Policy. Our Investment Committee is responsible for reviewing and voting all client proxies for which we have been granted authority to do so, and for carefully monitoring our proxy voting policies and procedures. These policies and procedures are reviewed on an as-needed basis (at least annually) by the Investment Committee and updated accordingly.

LWM's Proxy Voting Guidelines do not cover all types of resolutions proposed each year. Because we have a fiduciary duty to clients to examine each resolution proposed and the context in which it applies, we only vote proxies after considering our clients' financial interests and social objectives. For that reason, there may be instances in which client shares may not be voted in strict adherence to our Proxy Voting Guidelines. The guidelines are subject to change without notice. A copy of our Proxy Voting Policy is available to clients upon request. Proxy voting records are also available upon request.

In all instances where client shares are pooled together for the purposes of voting one block under one Master Account, LWM reserves the right to vote in favor of the recommendations put forth by the board of directors. Unless specifically instructed otherwise, in all instances where an individual client's shares are being voted in isolation, LWM reserves the right to vote in favor of the recommendations put forth by the board of directors.

The Chief Investment Officer shall monitor the Firm's position regarding the voting of proxies. Should the Firm accept responsibility to vote proxies for clients, the Chief

Compliance Officer shall develop policies to ensure that the Firm votes proxies in the best interests of its clients.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide certain financial information or disclosures about LWM's financial condition. LWM has contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. LWM does not require or solicit prepayment of more than \$1,200 in fees per *client*, six months or more in advance.