

LBI Wealth Management, LLC

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FORM ADV PART 2 BROCHURE

This brochure provides information about the qualifications and business practices of LBI Wealth Management, LLC. If you have any questions about the contents of this brochure, contact Maryann Bryla, Chief Compliance Officer, at 201-638-5256. 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.

Additional information about LBI Wealth Management, LLC is also available on the SEC's website at www.sec.gov. The searchable IARD/CRD number for LBI Wealth Management, LLC is 155641.

Item 2 Material Changes

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

Since the filing of our last annual amendment, dated February 27, 2018, we have made the following material changes to this brochure:

- We updated the disclosure regarding our participation in investment programs offered by SEI Investments Company and its affiliates;
- We updated our assets under management;
- We updated the information regarding our fee schedules;
- We updated our minimum account size;
- We updated information regarding other financial industry activities and affiliations to better reflect our relationship with SEI Investments Company and to reflect our affiliation with The Bryla Group, LLC, a business and family office consulting service;
- We updated the disclosure regarding client referrals to reflect that we do not pay solicitors for client referrals;
- We updated the summary of our investment strategies and related risks;
- We updated the summary of our brokerage practices;
- We updated the discussion of custody to reflect instances in which we have been given powers of attorney over client accounts.

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Item 4 Advisory Business

Description of Services and Fees

LBI Wealth Management, LLC (LBI) was established in 2010 as a limited liability company under the laws of the State of Delaware. LBI is registered with the Securities and Exchange Commission as an investment adviser and Maryann Bryla is our principal owner. Prior to establishing LBI, Ms. Bryla served as Senior Vice President of the Private Wealth Management Group of SEI Investments Company ("SEIC"), a publicly traded financial services firm listed on the NASDAQ. At SEIC, Ms. Bryla was responsible for delivering sophisticated financial solutions to ultra-high net worth families and entrepreneurial business owners.

We provide our clients with a range of investment advisory services, including discretionary and non-discretionary portfolio management, wealth management and financial planning. We work with our clients to develop a holistic picture of their financial situation, personal balance sheet complexities, and investments needs, and our services are generally offered on an integrated basis.

LBI is a fee-only investment advisory firm. We do not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. LBI is not affiliated with entities that sell financial products or securities and we do not accept commissions or finder's fees.

Portfolio Management Services

We offer discretionary asset management services tailored to your investment objectives and work with you to create a portfolio designed to help you grow and maintain intergenerational wealth. Our portfolios include individual stocks, corporate debt securities, municipal securities, mutual funds, exchange-traded funds, commercial paper, certificates of deposit, and U.S. Government securities. Many of our clients come to us with already established portfolios at the inception of our advisory relationship, and we work with them to determine if existing portfolio holdings continue to meet their investment needs.

If you participate in our discretionary portfolio management services, you must grant LBI discretionary authority to manage your account. In general, this authorization enables LBI to make decisions about which securities to buy and sell for your account, when to buy and sell such securities, and in what amounts, without obtaining your prior consent or approval for each transaction. You may, however, limit our discretionary authority (for example, by limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. Although LBI may have discretion over your account, our practice is to communicate our investment recommendations to you and to seek your authorization prior to executing any trades.

Our portfolio management process takes a holistic approach to addressing your investment needs. The process typically begins with an exploratory meeting during which we gather information to help define your specific financial and liquidity needs, investment goals and objectives, and tolerance for risk. If required, we will conduct follow-up interviews for the purpose of reviewing existing or potential investments and/or collecting additional financial data. Prior to proceeding, we will ask you to enter into an agreement for discretionary asset management services that will detail the services to be provided to you, grant LBI the necessary discretion to manage your accounts, and explain the fees to be paid (see Item 5 below).

We also manage advisory accounts on a non-discretionary basis, in which case specific client consent must be granted prior to each transaction. Clients that maintain discretion over their accounts have an unrestricted right to decline to implement any advice provided by our firm. If you wish to proceed with implementing such advice, you may place securities transactions with any brokerage firm. At your request, however, LBI can execute the recommended transactions on your behalf.

We design portfolios for long-term investing and asset withdrawals may impair the achievement of your investment objectives. Nonetheless, you may withdraw account assets on notice to our firm (as set forth in your account agreement), and subject to usual and customary securities settlement procedures. You may also make additions to your account at any time, subject to our right to terminate an account.

Financial Planning and Wealth Management Services

We help our clients structure multi-generational wealth management plans designed to grow, preserve and protect assets for future generations. LBI's financial planning and wealth management services are designed to help you develop a plan to meet your financial goals and objectives, to address liquidity needs and to manage intergenerational wealth. Our financial planning and wealth management services may include asset allocation, retirement planning, cash flow planning, educational planning, and planning for charitable investments and giving. Financial planning and wealth management services are provided as part of our holistic approach to managing your portfolio and are not offered as a separate service.

Financial plans are based on your financial situation as disclosed to LBI. In order to ensure that a financial plan continues to meet your needs, you must promptly notify our firm if your financial situation, investment goals and objectives, risk tolerance or liquidity needs change.

You are under no obligation to act on our financial planning recommendations, and if you choose to act on any of our recommendations, you may implement your financial plan by placing securities transactions with any brokerage firm. See Item 12, *Brokerage Practices*, below.

Our principal, Maryann Bryla, is also a principal in The Bryla Group, LLC (TBG), an affiliated firm offering broad-based business and financial consulting services to family offices and ultra-high net worth individuals. LBI's ultra-high net worth clients, or the family office of such clients, may use the services of TBG for certain business and financial consulting services. Please see Item 10 below for more information regarding TBG, its fees and its services.

Portfolio Management Services through SEI Investments Management Corp.

LBI does not sponsor or participate in any wrap fee programs. However, our clients may participate in the Managed Accounts Program (the "MAS Program") available through SEI Investments Management Corp. ("SIMC") a registered investment adviser that is an indirect wholly-owned subsidiary of SEIC. Below is a brief description of the MAS Program. For more information regarding the MAS Program, including information regarding specific advisory services, related fees, and certain conflicts of interest, please see the MAS Program Wrap Fee Brochure, which is filed as Part 2A to SIMC's Form ADV, and available through the SEC's website at www.sec.gov.

The MAS Program is a wrap fee program that charges a bundled fee that includes advisory, brokerage, and custody services. If you participate in the MAS Program, you will enter into a tri-party agreement with LBI and SIMC ("Managed Account Agreement") providing for the management of identified assets. Pursuant to a Managed Account Agreement, you will appoint LBI as your investment adviser to assist you in selecting a suitable asset allocation strategy and SIMC, either directly or through its manager-of-managers structure, will manage the identified assets in accordance with the selected strategy. Asset allocation strategies available through the MAS Program may include mutual funds managed by SIMC and/or portfolios of individual securities managed by SIMC or a sub-adviser selected by SIMC.

Under the MAS Program, LBI retains responsibility for evaluating your current financial situation, your investment goals and time horizon, your risk tolerance and your liquidity needs. LBI is also responsible for determining your initial and on-going suitability for participating in the MAS Program and in any specific asset allocation portfolio. LBI will meet with you periodically (no less frequently than annually) to determine if any material changes to your financial situation or investment goals warrant changes to your participation in the MAS Program.

LBI will not receive any fees from SIMC if you elect to participate in the MAS Program.

Assets Under Management

As of August 31, 2018, we managed on a discretionary basis approximately \$589,334,858 in regulatory assets under management. In addition, solely as an accommodation to our advisory clients, we provided limited non-management services to various trust and family accounts that, as of December 31, 2017, contained approximately \$1,349,417,985.

Item 5 Fees and Compensation

Advisory Fee

We charge asset-based management fees, fixed advice fees, or a combination thereof. Our fees are generally payable quarterly in arrears.

Fixed advice fees are offered to high net worth clients who use our financial planning and wealth management services and who maintain concentrated portfolios, often with holdings that existed when the client became a client of LBI. These accounts are regularly and continuously monitored for opportunities to diversify holdings in a manner consistent with the client's financial plan, but often have limited trading activity. At our discretion, we may require an initial deposit of a portion of a fixed fee with the balance due and payable quarterly in arrears.

Accounts with less concentrated and more actively managed portfolios or which participate in the MAS Program are charged an asset based fee. Our asset-based fees are calculated at an annual rate based on the market value of your assets under management on the last business day of each calendar quarter. Our current asset-based fee schedule is set forth below:

Assets Under Management	Annual Fee
First \$10 million	1.00%
Above \$10 million	0.80%

Notwithstanding the fee schedule set forth above, LBI's fees are negotiable, predicated generally on the scope and complexity of the requested services. LBI, in its sole discretion, may charge an asset-based fee at a lower annual rate and/or waive or modify fixed advice fees based upon criteria including anticipated future additional assets, the dollar amount of assets to be managed, related accounts, account composition, or if a client has engaged LBI or its affiliates to provide non-investment related services in addition to portfolio management. As a result, our fee arrangements with various clients will differ.

If your agreement with LBI is executed at any time other than the first day of a calendar quarter, our fees for the first quarter will be applied on a pro rata basis, which means that the advisory fee will be payable in proportion to the number of days in the quarter for which you are a client of our firm. Similarly, if you terminate your account with LBI on any day other than the last day of a calendar quarter, our fees for that quarter will be applied pro rata depending on the number of days you were a

client of our firm. In addition, if you made an initial deposit of a portion of your retainer fee and any pre-paid retainer fees remain unearned as of the date of termination, you will be reimbursed for any unearned fees.

Every quarter, we will either send you an invoice for the advisory fee due or, at your request, we will deduct our fee directly from your account. We will deduct our advisory fee only when you have given our firm written authorization permitting such fees to be paid directly from your account. Your custodial account statements will show all disbursements from your account including the amount of any fees paid to our firm. You should review all custodian statements for accuracy. For those clients who receive an invoice from our firm, we encourage you to reconcile our invoices with the account statement(s) you receive from your custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the custodian please call our main office number located on the cover page of this brochure or notify us in writing.

Our agreement for services will continue in effect until terminated by either party. You may terminate the management agreement upon 30-days' written notice to our firm.

MAS Program Fees

Under the MAS Program, you receive investment advisory services, brokerage services, custody services and reporting services for a single fee. Participation in the MAS Program may cost you more or less than purchasing such services separately. In addition, the fees may be higher or lower than that charged by other sponsors of comparable programs.

Fees for the MAS Program vary across investment styles selected by the participant and the value of your assets participating in the MAS Program. MAS Program fees are described in detail in SIMC's Form ADV Part 2A. MAS Program fees specific to your account will be set out in the Managed Account Agreement entered into among you, SIMC, and LBI. SIMC may impose minimum account balances ranging from \$50,000 to \$1,000,000, depending upon the asset allocation portfolio chosen and whether you select the tax management feature.

LBI charges its clients asset-based fees (as set forth above) in addition to the MAS Program fee. LBI is not compensated by SIMC or its affiliates for accounts that participate in the MAS Program.

Valuation

We rely on your custodian to price the securities in your investment accounts. If you use SEI Private Trust Company (SPTC), an affiliate of SEIC, as your custodian, we can access its systems to review daily valuation and transaction data and for purposes of reporting and billing. For accounts not held at SPTC, we will ask you to authorize your custodian to provide us access to your account information for valuation, reporting and billing purposes. In order for us to provide accurate reporting and billing, it is important that you authorize your custodian to transmit data for accounts not held at SPTC.

The total portfolio value on which fees are based may be higher or lower than the value on your custodian statement due to factors including the timing and posting of dividends, settlement dates for trades and accrued interest. The value of your account as of the last business day of the quarter (as shown on the statements from your custodian/broker-dealer) is used to determine our fees.

Additional Fees and Expenses

In addition to, and exclusive of, LBI's investment advisory fees and fixed advice fees and fees imposed by the MAS Program, if any, you will also be charged brokerage commissions, transaction fees, and other related costs and expenses for trade execution. These charges and fees are typically imposed by

and paid to the broker-dealer or custodian through whom your account transactions are executed for its clearance and execution services. LBI does not receive any portion of these commissions, fees, or costs. For information on our brokerage practices, refer to the *Brokerage Practices* section below of this Disclosure Brochure.

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds (ETFs). The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or ETFs (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You may also incur transaction charges and/or brokerage fees when purchasing or selling securities mutual funds or ETFs.

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

We do not accept performance-based fees or participate in side-by-side management.

Item 7 Types of Clients

We offer investment advisory services to individuals, trusts, estates, charitable organizations, and other business entities.

In general, we require a minimum of \$1,000,000 in investable liquid assets to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management, or where a smaller account is tied to a larger client relationship. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

Methods of Analysis

In our initial meeting with a client, we seek information related to current net worth, tax profile, cash flow, existing investments, private business ownership, philanthropic profile, liquidity, insurance, and estate planning needs. We use this information to help you articulate and quantify your investment goals, organize your financial data, identify your liquidity needs and diversification opportunities, and evaluate alternative asset allocation plans.

Once we have agreed upon your strategic asset allocation, we will consider a wide universe of investment vehicles including mutual funds, exchange traded funds ("ETF"s), the MAS Program (or similar asset allocation programs sponsored by other investment advisers) and separate account money managers. Since we believe that a significant determinant of portfolio return is tied to your assets allocation, a major focus of our analysis is to identify investments that represent a desired asset class within the portfolio, in light of your risk tolerance.

With respect to mutual funds and ETFs, we will identify categories of funds that are compatible with your investment objectives, risk tolerances and other similar criteria. We utilize internal processes and procedures to identify a search list of selected mutual funds and ETFs, as well as information publicly available from fund rating and research providers (e.g., Morningstar), business publications, fund prospectuses and websites, and other sources. For money manager research and due diligence we primarily rely on the list of managers within the MAS Program, which allows you to select money managers that have been prescreened and researched by SIMC.

Investment Strategies

As noted above, we work with our clients to build a strategic asset allocation plan tailored to the unique liquidity needs, risk tolerance and financial situation of each client. Asset allocation is the process of dividing a portfolio among broad-based asset classes. We work with each client to evaluate various asset allocation profiles to determine the asset mix that best suits their expected return needs in light of their liquidity needs and risk tolerance.

Once an asset allocation plan is adopted by a client, the allocation is implemented using mutual funds, ETFs and separately managed portfolios that meet our screening policies described above. Our clients typically face long-term, multi-staged time horizons (accumulation, distribution and transfer to future generations). We assist our clients with continually monitoring and rebalancing their portfolio to stated allocation targets for the purpose of controlling risk over this long-term time horizon.

Our investment strategies and advice may vary depending upon each client's specific financial situation, since we recommend investments and asset allocations based upon your objectives, risk tolerance, time horizon, financial information, liquidity needs, and other various suitability factors. Any specific restrictions or investment guidelines that you put on your account can affect the composition of your portfolio.

Certain strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, in writing, tax efficiency is not our primary consideration in the management of your assets. We will, however, work with you and your tax adviser to ensure that your tax profile is considered in the investment process. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding your accounts.

Risk of Loss

Investing in securities involves risk of loss, including the possible loss of your principal, that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Our clients' portfolios include significant holdings in mutual funds and exchange traded funds (ETFs). Mutual funds and ETFs are professionally managed collective investments that pool money from many investors to invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. While mutual funds and ETFs can provide diversification, funds that concentrate in a particular sector of the market or type of security, funds that primarily invest in riskier types of underlying securities, or funds that use a significant degree of leverage may be riskier. The returns on mutual funds and ETFs are reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no sales loads, other types of mutual funds do charge such fees which can also reduce returns.

In addition to the general risk of loss identified above, your portfolio may be exposed to one or more of the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause the price of fixed-income investments to fluctuate. For example, when interest rates rise, yields on existing bonds decrease, which causes their market values to decline.
- **Correlation risk:** Correlation risk is the risk that two assets will not move up or down in value as predicted.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a

dollar next year, because purchasing power is eroding at the rate of inflation.

- **Reinvestment Risk:** This is the risk that future proceeds from your investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Industry Risk:** Certain risks are associated with a particular industry or a particular company within an industry. For example, the success of oil and gas companies depends in large part on successfully finding raw materials and then refining it before the product can be sold and the company can generate a profit. Risk in this industry may be relatively higher than the risk applicable to an electric company, which generates its income from a steady stream of customers who buy electricity no matter the economic environment.
- **Credit Risk:** Credit risk is the potential that a borrower or counterparty to an agreement will fail to meet its obligations in accordance with agreed upon terms. In that case, the lender may lose principal and interest, expected cash flows may be disrupted, and collection costs will increase. The value of fixed income or municipal securities will be affected by the credit risk of an underlying borrower.

Item 9 Disciplinary Information

Neither LBI nor its principals has any disciplinary or arbitration history.

Item 10 Other Financial Industry Activities and Affiliations

We do not have any relationship or arrangement that is material to our advisory business with an advisory affiliate that is one of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

Family Office Services

Maryann Bryla, President and CCO of LBI, is also the Managing Member of TBG, which offers broad-based consulting services and family office services to ultra-high net worth individuals, and their privately held businesses. Consulting services provided by TBG include general business consulting, cash flow forecasting, budget planning, estate planning, charitable planning, real estate analysis, mortgage/debt analysis, insurance analysis, risk management analysis, lines of credit evaluation, divorce settlement analysis, educational planning, retirement planning and strategic planning services for businesses. All of TBG's clients are also clients of LBI.

TBG charges hourly fees or project-based flat fees for its consulting services, based on the scope and complexity of its services or a given project. In some cases, TBG's consulting services are provided as an accommodation to LBI's clients and it is not separately compensated for its services.

SIMC and SEIC

Many of LBI's clients are control persons of SEIC (or family members of such a control person). Although there is no level of common ownership or control between LBI and SEIC, and therefore LBI is not an advisory affiliate or related person of SIMC or SEIC, a significant portion of LBI's fees are generated by accounts owned by SEIC control persons or their families. In addition, LBI and its clients rely significantly on SEIC and certain of its affiliates for investment programs, custody services, administrative services and client reporting. The relationship with SEIC is therefore material to LBI's advisory business.

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Maryann Bryla at 201-638-5256.

Participation or Interest in Client Transactions

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this Brochure.

Personal Trading Practices

Neither our firm nor persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own accounts.

Item 12 Brokerage Practices

If a client requests our assistance in identifying a broker/custodian for its accounts and transactions, we will seek to recommend a broker/custodian that we reasonably believe will hold your assets and execute your transactions on terms that are, overall, advantageous when compared to other available providers and their services. If we execute trades on your behalf, we will seek to obtain best execution of such transactions. Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered. We do not obligate ourselves to seek the lowest transaction charges in all cases except to the extent that it contributes to the overall goal of obtaining the best results for your account.

Our firm may receive some economic benefits, for example, research and access to investment consultants, from various full service and discount brokers in connection with utilizing their brokerage services.

Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

Directed Brokerage

Some clients may instruct LBI to use one or more particular broker/custodians for transactions in their accounts. If you choose to direct our firm to use a particular broker/custodian, you will negotiate terms and arrangements for your account with the broker/custodian, and we will not seek better execution services or prices from other broker-dealers or be able to aggregate trades with other client accounts (as described below at *Block Trades*). As a result, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

Block Trades

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

Item 13 Review of Accounts

We regularly monitor those accounts for which we provide discretionary asset management services as part of our ongoing process. It is our practice to conduct regular account reviews on at least a quarterly basis.

You are encouraged to regularly discuss your needs, goals, and objectives with our firm, and to keep us informed of any changes in the information you have provided to LBI. We will contact you at least annually to review the services provided by LBI and/or recommendations for new or different services. We will discuss with you the impact from any changes in your financial situation and/or investment objectives. Additional reviews may be conducted at any time upon your request, or based on various circumstances, including, but not limited to, contributions and withdrawals, charitable gifting, market moving events, security specific events, and/or, changes in your risk/return objectives.

Item 14 Client Referrals and Other Compensation

We do not compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals.

Item 15 Custody

Certain clients from time to time provide LBI or its principals with powers of attorney over their accounts which enable LBI to effect transactions in or move money from such accounts. In such event, LBI will be deemed to have custody of such accounts. LBI's policy in such circumstances is to require the client to approve all transactions in writing and to provide verbal authorization to proceed with a transaction to both LBI and the account custodian immediately prior to execution.

At your request, we may directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities.

LBI does not, however, maintain physical custody of your funds or securities, which will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate holdings in the account, transactions in the account during the period, and the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

Item 17 Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we receive any written or electronic proxy materials, we will forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

Item 18 Financial Information

LBI does not require or solicit prepayment for its investment management services of more than \$1,200 or six months or more in advance, therefore a disclosure of an independently audited balance sheet is not required. LBI has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to clients, and has never been the subject of a bankruptcy petition.