

**Item 1: Cover Page for Part 2A of Form  
ADV: Firm Brochure  
February 2014**

**Texas Legacy Wealth Management  
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This brochure provides information about the qualifications and business practices of TLWM, LLC doing business as Texas Legacy Wealth Management. If you have any questions about the contents of this brochure, please contact our firm by telephone at (210) 541-8600 or by email at [enzo@texaslegacywealth.com](mailto:enzo@texaslegacywealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Authority.

Additional information about Texas Legacy Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term "registered investment adviser" and description of Texas Legacy Wealth Management and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

## Item 2: Material Changes

Texas Legacy Wealth Management is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Please note that we do not have to provide this information to a client or prospective client who has not received a previous version of our brochure.

### **Last Annual Amendment Filing: 01/16/2014**

As of January 2014, the following changes have been made:

- Our firm has changed its name from Pellegrino and Associates Financial Services, LLC dba Texas Legacy Wealth Management to TLWM, LLC dba Texas Legacy Wealth Management;
- TLWM, LLC is now owned by TLHC, LLC;
- Going forward, new clients will be subject to the maximum fees of:
  - Asset Management: Up to 2.50%
  - Pension Consulting: Up to 2.50%
  - Portfolio Monitoring: Up to \$5,000 per quarter
  - LPL Sponsored Advisory Programs: Up to 3.00%

### Item 3: Table of Contents

<b><u>Section:</u></b>	<b><u>Page(s):</u></b>
Item 1: Cover Page for Part 2A.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	4
Item 5: Fees & Compensation.....	8
Item 6: Performance-Based Fees & Side-By-Side Management.....	11
Item 7: Types of Clients & Account Requirements .....	11
Item 8: Methods of Analysis, Investment Strategies & Risk of Loss .....	11
Item 9: Disciplinary Information.....	18
Item 10: Other Financial Industry Activities & Affiliations.....	18
Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading.....	18
Item 12: Brokerage Practices .....	19
Item 13: Review of Accounts or Financial Plans.....	22
Item 14: Client Referrals & Other Compensation.....	23
Item 15: Custody.....	24
Item 16: Investment Discretion.....	25
Item 17: Voting Client Securities.....	25
Item 18: Financial Information.....	25

## Item 4: Advisory Business

We specialize in the following types of services: Asset Management, Pension Consulting, Financial Planning & Consulting, Referrals to Third Party Money Managers and Portfolio Monitoring.

### **Our Advisory Firm:**

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. We work with each client to select an asset allocation that is aligned with the client's unique investment objectives and risk tolerance. Our firm is a limited liability company formed in the State of Texas. Our firm has been in business since 2006 and registered as an investment adviser since 2011 and is owned by TLHC, LLC.

### **Types of Advisory Services We Offer:**

#### **Asset Management:**

We offer discretionary management of client assets. As a discretionary manager, we have the authority to make determinations regarding the purchase and sale of securities for clients. Clients grant us this discretionary authority in our advisory agreement. We work with each client to establish a mutually accepted asset allocation that is aligned with the client's unique investment objectives and risk tolerance. In constructing allocation for clients, we may select from a wide range of available investment options listed below including our own proprietary investment strategies described below.

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), mutual funds and other public and private securities or investments. The client's individual investment strategy may include some or all of the previously mentioned securities or be one of our proprietary strategies further discussed in Item 8 of this Brochure. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals and objectives.

#### **Pension Consulting:**

We provide pension consulting services to employer plan sponsors on either a one-time or ongoing basis. Generally, such pension consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure and participant education. Apart from these, there are several distinct activities that may be available under our pension consulting services. These services may be provided separately or in combination with one another. Although not all-inclusive, the following information will describe some of the activities offered under our pension consulting services.

- **Preparation of Investment Policy Statement ("IPS"):** We will meet with the client (plan sponsor or trustee - in person, over the telephone or internet) to determine the client's investment needs and goals. A written IPS can be created, stating those needs and goals, encompassing a policy under which these goals are to be achieved. The IPS will also list the

criteria for selection of investment vehicles and the procedures and timing interval for monitoring of investment performance

- Investment Option Selection: We will review various investments, consisting predominantly of mutual funds (both index and managed) to determine which of these investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS. Our review process will result in the recommendation of specific investment options for the client to consider for inclusion in the list of plan investment options.
- Monitoring of Investment Performance: Client investments will be monitored based on the procedures and timing intervals delineated in the IPS. Although we will not be involved in the purchase or sale of these investments, it will monitor and make recommendations to the client as market factors and the client's needs dictate.
- Employee Communications: For pension, profit sharing and 401(k) plan clients where participants exercise control over assets in their own account (self-directed plans), we may provide support, such as investment workshops, for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will not provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

All pension consulting services shall be in compliance with the applicable state law(s) regulating pension consulting services. This applies to client accounts that are pension or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and we accept appointments to provide our services to such accounts, we acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA (but only with respect to the provision of services described in section 1 of the Pension Consulting Agreement).

### **Financial Planning & Consulting:**

We provide a variety of financial planning and consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning (this service does not involve tax or legal advice), Insurance Analysis, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do

not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client, and unless engaged separately to do so, we will not be responsible for the implementation of the plan. You assume full responsibility for the implementation of the plan.

### **LPL Financial Sponsored Advisory Programs:**

Our firm may provide advisory services through certain programs sponsored by LPL Financial, LLC ("LPL Financial"), a registered investment advisor and broker-dealer. Below is a brief description of each LPL advisory program available to our firm. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs please see the LPL Financial Form ADV Part 2 and the applicable client agreement.

The following advisory services are made available through LPL:

- **Manager Access Select (MAS)** is a separate account platform available through LPL Financial, LLC ("LPL Financial") that offers high net-worth investors the ability to access a variety of institutional Portfolio Managers at significantly lower account minimums. This enables clients to enjoy a higher level of specialization and service through the ownership of individual securities. Advisors can choose from a broad range of Portfolio Managers and multiple investment styles are available, including equity, fixed income, balanced, international, ETF, REIT and socially responsible portfolios.
- **Manager Access Network (MAN)** enables high net worth investors to access a variety of institutional Portfolio Managers at significantly lower account minimums. By using separate account managers, clients can enjoy a higher level of specialization and service through the ownership of individual securities. A broad range of Portfolio Managers and multiple investment styles are available, including equity, fixed income, balanced, international, ETF, REIT and socially responsible portfolios.

### **Referrals to Third Party Money Managers:**

We provide clients with a list of investment advisory services of third party professional Portfolio Management firms for the individual management of client accounts. As part of this process, we assist clients in identifying an appropriate third party money manager. We provide initial due diligence on third party money managers and ongoing reviews of their management of your account.

In order to assist clients in the selection of a third party money manager, we typically gather information from the client about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account, which are often very limited. It is important to note that we do not offer advice on any specific securities or other investments in connection with this service. Investment advice and trading of securities is only offered by or through the third party money managers to clients.

We periodically review third party money managers' reports provided to the client, but no less often than on an annual basis. Our associates contact the clients from time to time, as agreed to with

the client, in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third party money manager. The client will be expected to notify us of any changes in his/her financial situation, investment objectives, or account restrictions that could affect their account. The client may also directly contact the third party money manager managing the account or sponsoring the program.

### **Portfolio Monitoring**

Our Portfolio Monitoring Service provides for asset allocation review and investment analysis of assets on behalf of clients with no on-going supervision, trading, or discretion with respect to securities transactions. Clients are responsible for placing and executing their own trades, either on their own or with another investment adviser. We provide non-continuous and periodic outside account monitoring.

### **Tailoring of Advisory Services:**

We offer individualized investment advice to clients utilizing our Asset Management services. Additionally, we offer general investment advice to clients utilizing our Financial Planning and Consulting, Pension Consulting, Referrals to Third Party Money Managers and Portfolio Monitoring services.

Prior to managing a client's assets, each new client is provided individualized investment advice, which is aligned with the client's level(s) of tolerance for risk, the client's investment objectives and the client's investment time horizon. This individualized investment advice is created for the client after we receive and review the client's completed confidential profile or similar document and other information provided by client, which may include information obtained by notes from or conversations with client. This information is documented in the client's file, which is created and maintained by us. Each client's investment portfolio is created to meet the specific investment needs and objectives expressed by the client. Clients with similar investment needs and objectives may have investment portfolios where the investments and asset categories utilized are similar, or identical, to investment portfolios for clients with similar, or identical needs and objectives. Furthermore, while two clients with distinctly different risk level and objectives may have some of the same investments in their respective portfolios, the percentage holdings of those investments may differ as might the asset class categories. If some or all of the same asset classes are used for both clients, the percentages invested in shared asset classes may differ.

We typically do not allow clients to impose restrictions on investing in certain securities or types of securities who are enrolled in our proprietary investment strategies referenced in Item 8. In the rare instance that we would allow restrictions, it would be limited to our Asset Management service.

### **Participation in Wrap Fee Programs:**

We offer wrap fee programs as further described in Part 2A, Appendix 1 (the "Wrap Fee Program Brochure") of our Brochure. Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap fee accounts. As further described in our Wrap Fee Program Brochure, we receive a portion of the wrap fee for our services.

### **Regulatory Assets Under Management:**

As of December 31, 2013, we manage<sup>1</sup> \$113,452,185 on a discretionary basis and \$0 on a non-discretionary basis.

## **Item 5: Fees & Compensation**

### **How we are compensated for our advisory services provided to you.**

#### **Asset Management:**

<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
Any Assets	Up to 2.50%

The annual fee assessed to your accounts will be determined on a case-by-case basis and will be detailed in our Asset Management Agreement. Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter. Fees will generally be automatically deducted from your managed account. Please note that fees may be adjusted for deposits and withdrawals made during the quarter. As part of this process, you understand and acknowledge the following:

- a) Your custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting fees to be directly paid by these terms;
- c) Texas Legacy Wealth Management, your custodian or LPL Financial calculates the advisory fees for all flat fee schedules and deducts them from your account; and
- d) Texas Legacy Wealth Management, your custodian or LPL Financial calculates all tiered advisory fee accounts. LPL Financial will deduct advisory fees from your account.

In certain cases we will direct bill the client.

#### **Pension Consulting:**

We charge on an hourly basis or a percentage of assets under management for pension consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees range up to \$300. Hourly fees will be charged to you at the time of delivery of plan or consultation rendered. Hourly fees for ongoing pension consulting services will be charged annually. For ongoing consulting services we may charge an advisory fee based on assets of the pension fund. Pension consulting services will automatically renew on an annual basis.

The fee-paying arrangements for pension consulting service will be determined on a case-by-case basis and will be detailed in the signed Pension Consulting Agreement. The client will be invoiced directly for the fees if advisory fees are not deducted from a specified advisory account.

<sup>1</sup> Please note that our method for computing the amount of "client assets we manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A of Form ADV. However, we have chosen to follow the method outlined for Item 5.F in Part 1A of Form ADV. If we decide to use a different method at a later date to compute "client assets we manage," we must keep documentation describing the method we use and inform you of the change. The amount of assets we manage may be disclosed by rounding to the nearest \$100,000. Our "as of" date must not be more than three months before the date we last updated our Brochure in response to Item 4.E of Form ADV Part 2A.



If billed on a percentage of assets under management, our fee schedule is as follows:

<b>Assets Under Consultation</b>	<b>Annual Percentage of Assets Charge</b>
Any Assets	Up to 2.50%

The annual fee assessed to your accounts will be determined on a case-by-case basis and will be detailed in our Pension Consulting Agreement. Our firm's fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account on the last day of the previous quarter.

### **Financial Planning & Consulting**

We charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees are \$300. Flat fees generally range from \$500 to \$10,000.

We require the entire financial planning or consulting fee at the time our plan is delivered or consultation is rendered to you. In all cases, we will not require a retainer exceeding \$500 when services cannot be rendered within 6 (six) months. You acknowledge that:

- a) You may provide authorization in the advisory agreement for financial planning and consulting services to renew automatically on an annual basis; and
- b) You may instruct your custodian to deduct the annual financial planning and consulting fees from your specified account.

### **LPL Financial Sponsored Advisory Programs:**

The account fee charged quarterly in advance to the client for each LPL Financial advisory program is negotiable, subject to the following maximum account fees:

<b>Advisory Program</b>	<b>Annual Percentage of Assets Charge</b>
Manager Access Select	Up to 3.00%
Manager Access Network	Up to 3.00%

LPL Financial serves as program sponsor, investment advisor and broker-dealer for the LPL Financial advisory programs. Our firm and LPL Financial share in the account fee and other fees associated with program accounts.

### **Referrals to Third Party Money Managers:**

Third party money managers pay us a portion of the investment advisory fee that they charge you for managing your account on an ongoing basis. All fees we receive from third party money managers and the written separate disclosures made to you regarding these fees comply with applicable state statutes and rules. The separate written disclosures you need to be provided include: a copy of the third party money manager's Form ADV Part 2, all relevant Brochures, a solicitation disclosure statement detailing the fees we are paid and a copy of the third party money manager's privacy policy. Maximum combined fees of all parties will be no higher than 2.75%.

Third party money managers establish and maintain their own separate billing processes over which we have no control. In general, they will bill you and describe how this works in their separate written disclosure documents

### **Portfolio Monitoring:**

Portfolio Monitoring clients will be assessed a quarterly fee of up to \$5000. The quarterly fee will be determined on a case-by-case basis and will be detailed in our Portfolio Monitoring Agreement. Fees will generally be automatically deducted from your managed account. As part of this process, you understand and acknowledge the following:

- a) Your custodian sends statements at least quarterly to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting fees to be directly paid by these terms;
- c) You provide authorization in the advisory agreement for portfolio monitoring services to renew automatically on a quarterly bases; and
- d) You will instruct your custodian to deduct the quarterly portfolio monitoring services fees from your specified account.

In certain cases we will direct bill the client. If we directly bill you for our portfolio monitoring service, our bill is due and payable within thirty (30) days.

### **Other Fees**

Non-Wrap fee Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a publically traded investment that issues a prospectus for example mutual fund, index fund, variable annuities, or exchange traded fund which shall be disclosed in the prospectus (i.e., management fees and other expenses).

Wrap fee clients will receive our Form ADV, Part 2A, Appendix 1 (the "Wrap Fee Program Brochure"). Wrap fee clients will not incur transaction costs for trades. More information about this is disclosed in our separate Wrap Fee Program Brochure.

### **Refunds Following Termination:**

We charge our advisory fees quarterly in advance. In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to notify us and state that you wish to terminate our services. Upon receipt of your notice of termination, we will proceed to close out your account and process a pro-rata refund of unearned advisory fees.

### **Commissionable Securities Sales:**

We sell securities for a commission. In order to sell securities for a commission, our supervised persons are registered representatives of LPL Financial, member FINRA/SIPC. Our supervised persons may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual funds, variable annuities and 529 plans. You should be aware that the practice of accepting commissions for the sale of securities:

- 1) Presents a conflict of interest and gives our firm and/or our supervised persons an incentive to recommend investment products based on the compensation received, rather than on your needs. We generally address commissionable sales conflicts that arise when explaining to clients that commissionable securities sales creates an incentive to recommend products based on the compensation we and/or our supervised persons may earn and may not necessarily be in the best interests of the client or when recommending commissionable securities and explaining that “no-load” securities are available through our firm if the client wishes to become an investment advisory client.
- 2) In no way prohibits you from purchasing investment products recommended by us through other brokers or agents which are not affiliated with us.

### **Item 6: Performance-Based Fees & Side-By-Side Management**

We do not charge performance fees to our clients.

### **Item 7: Types of Clients & Account Requirements**

We have the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations; and
- Corporations, partnerships, limited liability companies and/or other business types

Our requirements for opening and maintaining accounts or otherwise engaging us:

- Our preferred minimum client household relationship size is \$250,000 for Asset management service. Generally, this minimum client household relationship requirement is not negotiable and would be required throughout the course of the client’s relationship with our firm. We may choose to lower the initial asset minimum in certain instances.
- We generally charge a minimum fee of \$500 for written financial plans. We may waive the minimum fee and/or plan may be offered without charge in certain circumstances.

### **Item 8: Methods of Analysis, Investment Strategies & Risk of Loss**

#### **Methods of Analysis:**

We may use the following methods of analysis in formulating our investment advice and/or managing client assets:

- Charting;
- Fundamental;
- Technical; and
- Cyclical.

On occasion we will use a technical analysis for forecasting the direction of prices through the study of past market data, primarily price and volume by examining what investors fear or think about those developments and whether or not investors have the wherewithal to back up their opinions as opposed to a fundamental analysis which examines earnings, dividends, new products, research and the like.

Technical analysis is frequently contrasted with fundamental analysis and each have limitations because of assumptions about the market. We enlist a more rational approach by utilizing both types of analyses. In addition to these we may employ charting which plot the span between the high and low prices of a trading period. Some widen and fill the interval between the open and close prices to emphasize the open/close relationship.

The risk of relying on charting would be similar to the weaknesses of the technical approach, where the price reflects the trend as opposed to fundamental which holds that economic factors influence the price. Studying recurring, preferably periodic, movements in prices or other time series or cyclical analysis may also be incorporated in our methods of analysis. Cyclical may too narrowly predict price without integrating relevant factors. We strive to avoid risks of any one method by incorporating several methods.

### **Investment Strategies We Use:**

We may use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

- Long Term Purchases (Securities Held At Least a Year);
- Short Term Purchases (Securities Sold Within a Year); and
- Trading (Securities Sold Within 30 Days).

As part of these strategies, we primarily utilize individual stocks or bonds, exchange traded funds ("ETFs"), mutual funds and other public and private securities or investments.

In addition to the items listed above, we may also utilize the following TLWM proprietary strategies when managing client accounts:

- **Founding Funds Strategy** – The strategy seeks to effectively monitor the risk level in the market. When we believe the risk is too high, we have the capability to take action to limit exposure on your behalf, as opposed to a buy and hold strategy. The portfolio will primarily consist of ETFs, as the growth component. Each client's investment portfolio in the growth component will be nearly identical to other clients' in the growth component, as to ETFs held- representing the asset categories and the percentage of the amount invested in each ETF. Within this strategy, we are very conscious of trying to protect your money during down market cycles. The aim of this is to protect your portfolio and have capital to invest when new opportunities arise. Therefore, we may also engage in various defensive strategies from time to time in the growth component in an effort to minimize losses, have capital to invest when new opportunities arise and/or to seek investment returns. Money market securities and/or short term fixed income securities are typically used upon implementation of the defensive strategies within the growth component. However, there are special risks involved with those defensive strategies. Refer to Item 8 Methods of Analysis, Investment Strategies and Risk of Loss.

- **Growth & Income Strategy** – The strategy seeks to allocate money to the equity and fixed income markets with an emphasis towards the equity component. Our Founding Funds Strategy is utilized for the equity component of the portfolio, which aims at actively monitoring the risk level in the equity market. We will typically allocate more than 50% of the overall portfolio to our Founding Funds Strategy, and the remainder to the fixed income market. Please see our Founding Funds Strategy above.

The fixed income component is generally constructed by building bond ladders with different maturities and ratings that are suitable to each client based on discussing their goals, objectives, risk tolerance, liquidity needs and other items. Each client's investment portfolio in the fixed income component might be similar or the same as other clients' in the fixed income component. That is, clients may hold the same investments or different investments that are similar in objective, which might share nearly identical ratings for safety and payment of any interest and principal. Differences may occur because of limited availability of a specific investment, the clients commenced using the fixed income component on different dates, tax considerations of the client, and amount invested in the income component. Additionally, there may be some differences because of the client's state of residence, as some investments may not be available in all 50 states. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the fixed income component in the initial stage. Unless otherwise directed by the client, we might utilize bond mutual funds or exchange traded funds instead of individual bonds for smaller accounts having a fixed income allocation of less than \$100,000. Also, we typically utilize bond mutual funds, exchange traded funds or money market securities while constructing the client's bond ladder, or in lieu of an individual bond.

- **Balanced Strategy** – The strategy seeks to allocate money to the equity and fixed income markets through a balanced approach. Our Founding Funds Strategy is utilized for the equity component. Please see our Founding Funds Strategy above.

The fixed income component is generally constructed by building bond ladders with different maturities and ratings that are suitable to each client based on discussing their goals, objectives, risk tolerance, liquidity needs and other items. Each client's investment portfolio in the fixed income component might be similar or the same as other clients' in the fixed income component. That is, clients may hold the same investments or different investments that are similar in objective, which might share nearly identical ratings for safety and payment of any interest and principal. Differences may occur because of limited availability of a specific investment, the clients commenced using the fixed income component on different dates, tax considerations of the client, and amount invested in the income component. Additionally, there may be some differences because of the client's state of residence, as some investments may not be available in all 50 states. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the fixed income component in the initial stage. Unless otherwise directed by the client, we might utilize bond mutual funds or exchange traded funds instead of individual bonds for smaller accounts having a fixed income allocation of less than \$100,000. Also, we typically utilize bond mutual funds, exchange traded funds or money market securities while constructing the client's bond ladder, or in lieu of an individual bond.

- **Total Return Strategy** - The strategy seeks to achieve a return that outperforms its benchmark while effectively monitoring the risk levels in the market. The strategy allows for flexibility in investing in stocks of varying market capitalization, sectors, countries and

styles thus, providing the freedom to seek returns in differing market environments. The portfolio will primarily have an emphasis on capital appreciation; however we may also engage in various defensive strategies in an effort to provide a risk adjusted return and have capital to invest when new opportunities arise.

The portfolio will primarily consist of individual equities, as the growth component. Each client's investment portfolio in the growth component will be nearly identical to other clients' in the growth component, as to the individual equities held. Defensive sectors, money market securities and/or short term fixed income securities are typically used upon implementation of the defensive strategies within the growth component. However, there are special risks involved with those defensive strategies.

**Please Note:**

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

**Other Key Risks**

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to asset management service and portfolio monitoring, as applicable. As part of our TLWM proprietary strategies to create various defensive strategies in certain economic conditions we may maintain a high cash balance.

*Capital Risk*

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

*Credit Risk*

Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

*Currency Risk*

Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, German mark, Euro, Japanese yen, French franc, etc.).

### *Defensive Strategy Risk*

Defensive strategies are primarily used in periods of high volatility or economic uncertainty and aimed at reducing exposure to the equity market. Our goal is simply to help our clients achieve their financial goals, regardless of market conditions. If we forecasts a prolonged and substantial downturn for the equity markets, it may adopt a defensive strategy for clients' growth allocation by investing substantially in money market securities and/or short term fixed income securities. There can be no guarantee that we will accurately forecast any prolonged and substantial downturn in the equity markets, or that the use defensive techniques would be successful in avoiding losses. The use of defensive strategies could result in a negative outcome for a client. A few negative consequences could be high turnover, re-entry in the same security at a higher price, loss of growth if the equity markets move up, high tax liability within taxable accounts and higher trading cost.

### *Economic Risk*

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

### *Financial Risk*

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

### *Fixed Income Securities Risk*

Typically, the values of fixed-income securities change inversely with prevailing interest rates. Therefore, a fundamental risk of fixed-income securities is interest rate risk, which is the risk that their value will generally decline as prevailing interest rates rise, which may cause your account value to likewise decrease, and vice versa. How specific fixed income securities may react to changes in interest rates will depend on the specific characteristics of each security. Fixed-income securities are also subject to credit risk, prepayment risk, valuation risk, and liquidity risk. Credit risk is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of a bond to decline.

### *Foreign Exposure Risk*

We may have exposure to foreign markets, including emerging markets, which can be more volatile than the U.S. markets. As a result, returns and net asset value may be affected to a large degree by fluctuations in currency exchange rates or political or economic conditions in a particular country. Any investments in emerging market countries may involve risks greater than, or in addition to, the risks of investing in more developed countries.

### *Growth Securities Risk*

Securities of companies perceived to be "growth" companies may be more volatile than other stocks and may involve special risks. The price of a "growth" security may be impacted if the company

does not realize its anticipated potential or if there is a shift in the market to favor other types of securities.

#### *Higher Trading Costs*

For any investment instrument or strategy that involves active or frequent trading, you may experience larger than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

#### *Inflation Risk*

Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

#### *Interest Rate Risk*

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

#### *Legal/Regulatory Risk*

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

#### *Liquidity Risk*

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

#### *Manager Risk*

There is always the possibility that poor security selection will cause your investments to underperform relative to benchmarks or other funds with a similar investment objective.

#### *Market Risk*

The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company's intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to



understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security's price due to company specific events (e.g. earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g. such as a "bear" market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

#### *Market Timing Risk*

Market timing can include high risk of loss since it looks at an aggregate market versus a specific security. Timing risk explains the potential for missing out on beneficial movements in price due to an error in timing. This could cause harm to the value of an investor's portfolio because of purchasing too high or selling too low.

#### *Mid-Sized Companies Risk*

Investments in securities issued by mid-sized companies may involve greater risks than are customarily associated with larger, more established companies. Securities issued by mid-sized companies tend to be more volatile than securities issued by larger or more established companies and may underperform as compared to the securities of larger companies.

#### *Money Market Risk*

An investment in a money market fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market fund.

#### *Operational Risk*

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

#### *Past Performance*

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical analysis often times involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, investors should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer thereof.

#### *Small-Sized Companies Risk*

Investments in securities issued by small-sized companies, which tend to be smaller, start-up companies offering emerging products or services, may involve greater risks than are customarily associated with larger, more established companies. Securities issued by small-sized companies tend to be more volatile and somewhat more speculative than securities issued by larger or more established companies and may underperform as compared to the securities of larger companies.

### *Strategy Risk*

There is no guarantee that the investment strategies discussed herein will work under all market conditions and each investor should evaluate his/her ability to maintain any investment he/she is considering in light of his/her own investment time horizon. Investments are subject to risk, including possible loss of principal.

## **Item 9: Disciplinary Information**

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

## **Item 10: Other Financial Industry Activities & Affiliations**

Representatives of our firm are registered representatives of LPL Financial, LLC, member FINRA/SIPC. They may offer securities and receive normal and customary commissions as a result of securities transactions. A conflict of interest may arise as these commissionable securities sales may create an incentive to recommend products based on the compensation they may earn and may not necessarily be in the best interests of the client.

Our firm, TLWM, LLC dba Texas Legacy Wealth Management is additionally licensed as an insurance agency. In the individual capacity of our advisory representatives we may offer fixed insurance products and receive normal and customary commissions as a result of any purchases made by the clients. Clients are under no obligation to purchase these products. To mitigate this conflict of interest, disclosure is made to the client at time of purchase identifying the nature of the transaction and relationship, the role to be played by and any compensation paid to our advisory representatives. In every case the interests of the clients are placed before that of our advisory representatives.

The compensation paid to us by third party managers may vary, and thus, there may be a conflict of interest in recommending a manager who shares a larger portion of its advisory fees over another manager. Prior to referring clients to third party advisors, we will ensure that third party advisors are licensed or notice filed with the respective authorities. A potential conflict of interest in utilizing third party advisors may be an incentive to us in selecting a particular advisor over another in the form of fees or services. In order to minimize this conflict our firm will make our selections in the best interest of our clients.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading**

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment

goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures with respect to transactions effected by our members, officers and employees for their personal accounts<sup>2</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Our advisory representative may in whole or in part replicate our proprietary strategies for their own personal accounts. To mitigate any conflict of interest the interests of the clients are put before those of our representatives.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients for themselves at or about the same time they buy or sell the same securities for client accounts. A conflict of interest may arise from personal trading where a possibility of front-running is present. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

## **Item 12: Brokerage Practices**

We receive non soft-dollar products and services provided by LPL Financial that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities.

Where a particular service or product that a broker or dealer is willing to provide for soft dollars, our interest in making trade allocations may differ from clients' interests in that our firm has an incentive to designate as great a portion of the cost in order to permit payment with soft dollars.

<sup>2</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

When a broker-dealer provides products or services in expectation of brokerage business, it generally suggests the level of business it would like to receive as compensation. In making our brokerage selections, we consider those suggestions as part of our evaluation of the factors described above. Actual transactional business received by a particular broker or dealer during any period may be less than the suggested level, but could also exceed that level. This may be in part because the total brokerage business generated by clients exceeds the aggregate amounts requested by all brokers and dealers from which we receive services and products, and in part because the brokers and dealers that provide such services and products may also provide superior execution and may therefore be the most appropriate broker-dealers for particular transactions regardless of whether or not they provided such services and products. In other cases, a broker or dealer may establish credits based on brokerage commissions paid in the past, which may be used to pay, or reimburse our firm for specified expenses.

We benefit from our relationship with LPL Financial. As discussed above, we execute our advisory clients' brokerage transactions through LPL Financial. Because our expenses would likely increase considerably without this relationship with LPL Financial, this relationship might be considered a "soft dollar" relationship. Under Section 28(e) of the Securities and Exchange Act of 1934, an investment adviser's use of client commission dollars to acquire research and brokerage products and services is not a breach of an investment adviser's fiduciary duty to clients – even if the brokerage commissions paid are higher than the lowest available as long as (among certain other requirements) the investment adviser determines that the commissions are reasonable compensation for both the brokerage services and the research acquired.

LPL Financial may suggest a level of future business in order to continue this relationship. Our execution of securities transactions through LPL Financial may be less than the suggested level but can and often does exceed that level. This relationship may create an incentive for our firm to cause you to effect more transactions through LPL Financial than we might otherwise do in order to meet suggested levels.

We may receive non-cash compensation from product sponsors. Such compensation may not be tied to the sales of any products. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. Product sponsors may also pay for education or training events that we may attend.

We may receive from LPL Financial bonuses on production, awards of stock options to purchase shares of LPL Financial's parent company, LPL Investment Holdings Inc., reimbursement of fees paid to LPL Financial for items such as administrative services, and other things of value such as free or reduced-cost marketing materials, payments in connection with the transition of our association from another broker-dealer or investment advisor firm to LPL Financial, or attendance at the LPL Financial national conference or top producer forms and events. These types of compensation from LPL Financial may be based on our overall business production and/or on the amount of assets serviced by Texas Legacy Wealth Management in LPL Financial advisory programs. This means that we may have a financial incentive to recommend LPL Financial as broker-dealer.

We may recommend other brokers or dealers to execute trades and transactions for client accounts. Our firm's Investment Advisors are registered representatives of LPL Financial. As a result of the individual association of our representatives with LPL Financial, we may be required to utilize the brokerage/custodial services of LPL Financial for investment advisory accounts.

## **Soft Dollars**

We do not receive soft dollar benefits.

## **Client Brokerage**

LPL Financial also makes available to our firm other products and services that benefit us, but may not benefit our clients' accounts. These benefits may include national, regional or investment adviser specific educational events organized and/or sponsored by LPL Financial. Other potential benefits may include occasional business entertainment of personnel of our firm by LPL Financial personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Some of these products and services assist our firm in managing and administering clients' accounts. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, LPL Financial may make available, arrange and/or pay vendors for these types of services rendered to our firm by independent third parties. LPL Financial may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. While, as a fiduciary, our firm endeavors to act in its clients' best interests, Adviser's recommendation/requirement that clients maintain their assets in accounts at LPL Financial may be based in part on the benefit to our firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost, or quality of custody and brokerage services provided by LPL Financial, which may create a potential conflict of interest.

As a result of receiving such non soft-dollar products and services for no cost, we may have an incentive to continue to place client trades through broker-dealers that offer the aforementioned services and products. This interest conflicts with the clients' interest of obtaining the lowest commission rate available. Therefore, we must determine in good faith, based on the best execution policy stated above that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers.

## **Brokerage for Client Referrals**

Our firm does not receive brokerage for client referrals.

## **Directed Brokerage**

We generally do not allow client-directed brokerage. While we may recommend certain broker-dealers to clients, neither we nor any of our firm's related person have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected.

## **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of

the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Aggregation of Purchase or Sale**

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

## **Item 13: Review of Accounts or Financial Plans**

We review accounts on at least a quarterly basis for our clients subscribing to our Asset Management and Portfolio Monitoring services. Third Party Money Management clients receive at least annual reviews. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients in person, telephonically or through internet-based services who subscribe to our Asset Management service, Portfolio Monitoring and Third Party Money Management. Client's custodian will provide monthly or quarterly statements.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

Pension Consulting clients receive reviews of their pension plans for the duration of the pension consulting service. We also provide ongoing services to pension consulting clients where we meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Pension Consulting clients do not receive written or verbal updated reports regarding their pension plans unless they choose to contract with us for ongoing Pension Consulting services.

Financial Planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. However, Clients may opt in for ongoing services financial planning and consulting services. These services will renew annually and fees will be charged to the client upon delivery of the financial plan or rendering of consultation services. Financial Planning clients, unless opting in for the automatic renewal service, do not receive written or verbal updated

reports regarding their financial plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

## **Item 14: Client Referrals & Other Compensation**

### **LPL Financial, LLC**

#### **Investment or Brokerage Discretion**

We provide discretionary portfolio management services where the investment advice provided is custom tailored to meet the needs and investment objectives of each client. Accordingly, we are authorized to perform various functions, at the client's expense, without further approval from the client. Such functions include the determination of securities to be purchased/sold and the amount of securities to be purchased/sold. We do not have discretionary authority over the broker or dealer to be used.

#### **Suggestion of Brokers to Clients**

We shall recommend LPL Financial, the broker-dealer with which our representatives are also associated, as the primary custodian for client assets. As a result of the individual association of our representatives with LPL Financial, we are generally required to utilize the brokerage/custodial services of LPL Financial for investment advisory accounts. Our general policies relative to the execution of client securities brokerage transactions are as follows:

#### **Execution of Brokerage Transactions (when applicable)**

If requested, we will arrange for the execution of securities brokerage transactions for the account through broker-dealers that we reasonably believe will provide "best execution". In seeking "best execution", the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution. We also take into consideration the full range of a broker-dealer's services including execution capability, commission rates, and responsiveness. Although we will seek competitive commission rates, it may not necessarily obtain the lowest possible commission rates for account transactions.

Over-the-Counter (OTC) securities transactions for our clients are generally effected based on two (2) separate broker-dealers: (1) a "dealer" or "principal" acting as market-maker; and (2) the executing broker-dealer that acts in an agency capacity for the client's account. Dealers executing principal transactions typically include a mark-up/down, which is included in the offer or bid price of the securities purchased or sold. In addition to the dealer mark-up/down, the client may also incur the transaction fee imposed by the executing broker-dealer. We do not receive any portion of the dealer mark-up/down or the executing broker-dealer transaction fee.

Transactions for each client account 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 or "batch" such orders to obtain "best execution", to negotiate more favorable commission rates, to allocate fairly among the clients' differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated

among our clients in proportion to the purchase and sale orders placed for each client account on any given day. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which our principals) and/or associated persons) may invest, we shall generally do so in accordance with the parameters set forth in SEC No-Action Letter, SMC Capital, Inc. We shall not receive any additional compensation or remuneration as a result of the aggregation.

When referring clients to dealers, we will only refer clients to dealers registered in states where the clients reside.

### **Additional Compensation**

We may receive from LPL, a mutual fund company or variable annuity company, without cost and/or at a discount support services and/or products, to assist us to better monitor and service client accounts maintained at such institutions. Included within the support services we may receive investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by us to assist us in our investment advisory business operations. Occasionally, firm events and/or social gatherings may be sponsored. Our clients do not pay more for investment transactions effected and/or assets maintained at LPL as result of this arrangement. There is no commitment made by us to LPL or any other institution as a result of the above arrangement.

### **Referral Fees**

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

## **Item 15: Custody**

All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. If we decide to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

We do not take custody of client funds or securities. We do however encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.



### **Item 16: Investment Discretion**

We will maintain discretion over certain client accounts. Our clients need to sign a discretionary investment advisory agreement with our firm for the management of those accounts. This type of agreement only applies to our Asset Management and Third Party Money Manager clients.

### **Item 17: Voting Client Securities**

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

### **Item 18: Financial Information**

We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

We have never been the subject of a bankruptcy proceeding.