

## Item 1 – Cover Page

### **Firm Brochure**

(Part 2A of Form ADV)

March 30, 2012

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This brochure provides information about the qualifications and business practices of **Lenox Wealth Advisors, Inc.** If you have any questions about the contents of this brochure, please contact us at: (212) 231-9050. 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 Lenox Wealth Advisors is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2 - Material Changes**

Our first filing with the SEC was made on November 18, 2012 and this is our annual updating amendment. Since our initial filing when we did not have any assets under management, LWA has discretionary authority to manage \$72,000,000 of assets.

### **Annual Update**

The Material Changes section of this brochure will be updated annually to reflect material changes that have occurred since the previous release of the brochure.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our brochure, please contact us by telephone at (212) 231-9050.

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## Item 4 - Advisory Business

### Firm Description

Lenox Wealth Advisors, Inc. (“LWA” or “Registrant”) provides investment management and wealth advisory services to high net worth individuals, families, trusts, not-for-profit organizations, and business entities. LWA’s mission is to create a financially secure and fulfilling future for its clients. LWA acts as a fiduciary for its clients and takes that role very seriously, offering objective and unbiased wealth management services to all investment management clients. LWA’s goal is to address each client’s unique and individual needs and restrictions.

LWA is a corporation formed in the State of New York on March 10, 2011. The Registrant is wholly owned by National Financial Partners Corp. (“NFP”). David M. Carter and Stephanie Scherr Olson are the Registrant’s managing executive officers. LWA currently has limited operating history and no investment performance record. LWA’s Chief Investment Officer has over 17 years of investment experience.

### Types of Advisory Services

LWA provides (1) investment management services and (2) wealth advisory services.

1. Investment Management Services: LWA provides discretionary and non-discretionary investment management services to its clients. Fees are charged based upon an annual percentage of assets under management, as described below under “Fees and Compensation.”
2. Wealth Advisory Services: LWA acts as a resource to its clients in managing their wealth. LWA provides a variety of analytical and administrative services to illuminate financial risks, establish investment strategy, and initiate actions with estate and/or tax professionals also serving our clients, where appropriate. These services are provided in conjunction with the Investment Management Services described above and are included in the fees charged for those services, as described below.

The only services LWA provides are described in this brochure. When providing investment management and wealth advisory services LWA is not acting as a law, accounting or tax firm and none of the services rendered should be interpreted as legal, tax or accounting advice. LWA does not offer insurance products nor render insurance advice.

As of March 30, 2012, LWA has \$72,000,000 of assets under discretionary management in its investment management services. LWA does not currently manage any assets on a non-discretionary basis.

## **Tailored Relationships**

Investment policy statements are created to articulate the strategy to be employed for each client, reflecting personal or business circumstances, the purpose of the funds to be managed, risk tolerance derived from personal assessments and needs analysis, and the objectives of each client. Restrictions imposed by the client relative to investing in certain securities or types of securities are clearly articulated in the investment policy statement.

## **Types of Agreements**

We typically document the terms of our client relationship in a Wealth Management Agreement, as described below.

### **Wealth Management Agreement**

LWA and its clients typically enter into a contract which is entitled the Wealth Management Agreement. This agreement describes the terms on which LWA provides services to its clients. Though LWA generally offers its investment management services on a discretionary basis, under certain circumstances, LWA can amend the Agreement to allow LWA to manage all or certain securities or types of securities on a limited or non-discretionary basis, as expressly agreed by the client and LWA.

Fees for services offered are clearly articulated in schedules attached to the Agreement. Contracts may be terminated in writing by either party to the Agreement with advance written notice establishing the termination date.

## **Item 5 - Fees and Compensation**

LWA has a fee schedule that is calculated as a percentage of assets under management. Relative to providing discretionary management of investment accounts, LWA charges advisory fees based on an annual percentage of the assets under management generally according to the following schedules:

For equity and alternative investments, the fee schedule is generally as follows:

1.25% on the first \$1,000,000

1.22% on the next \$1,000,000

0.92% on the next \$3,000,000

0.82% on assets in excess of \$3,000,000

For fixed income investments, the fee schedule is generally as follows:

0.50% up to \$2,500,000

0.45% on \$2,500,000 to less than \$5,000,000

0.40% on \$5,000,000 to less than \$10,000,000

The minimum account size is \$1,000,000 although this requirement may be waived in the discretion of LWA. All accounts at LWA are subject to a minimum annual fee of \$7,500. LWA, in its sole discretion, may reduce or waive its minimum account size requirement based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). However, clients who maintain an account size below the stated \$1,000,000 minimum may pay more than the stated minimum annual fee of \$7,500.

Annual advisory fees are payable in quarterly installments at the beginning of each calendar quarter based on the net market value of the client account on the last day of the prior quarter. While it is not LWA's policy to accept any new accounts at fees other than those shown above, the size or complexity of a relationship, portfolio composition, type of assets, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, negotiations with clients, etc., may create some variability of fees. Therefore, client relationships may exist where the fees are higher or lower than the fees described in the schedule above.

A client may terminate a LWA contract by providing at least thirty days' advance written notice to establish a termination date. The portfolio value at the end of the prior quarter would be the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination. Any unearned fees paid in advance will be promptly refunded.

## **Fee Billing**

Investment management fees are billed quarterly, in advance. Therefore fees become due at the beginning of each three-month billing period. Clients typically authorize LWA to debit fees directly from a designated client account. If fees are not paid directly from a client's account they will be invoiced. In such cases, invoices are due and payable in full upon receipt.

## **Other Fees**

Custodians may charge custody fees and transaction fees on purchases or sales of securities, mutual

funds and exchange-traded funds. Such fees are charged by the custodian and paid at the time of the transaction and represent an additional expense to clients. Transaction charges are usually small and incidental to the purchase or sale of a security. Occasionally, for best execution purposes or other business reasons, LWA may choose a broker different from the custodian, and that broker may charge commission to execute the trade, which charge is borne by the client. LWA is committed to achieving best execution and to minimizing trading and related costs. Please refer to the “Brokerage Practices” section of this brochure for more information on LWA’s selection and review of brokers.

LWA may pay a referral fee to solicitors in an amount determined by the solicitor and as described under the section titled “Client Referrals and Other Compensation.” This fee is included in the advisory fee noted above. Clients referred to LWA through solicitors do not pay higher fees. Rather, the referral fee is deducted from LWA’s advisor fee.

If a solicitor sells an investment product on a fee or commission basis to an LWA client, LWA will not charge an advisory fee for managing this asset, rather the value of this product will be excluded when calculating the advisory fee.

In the event a portion of the client’s portfolio is managed by a third party advisor, a separate management fee may be charged by that manager. Such charges may include, but are not limited to, fees charged by the manager(s), custodial fees, brokerage commissions, transaction fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund, fees imposed by variable annuity providers and disclosed in the annuity contract, certain deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

## **Expense Ratios**

Some investments such as mutual funds, separate accounts, limited partnerships, and other vehicles are subject to management fees charged by the managers of such investments. Their fees are generally referred to as expense ratios. For example, an expense ratio of 0.50 means that a mutual fund company charges for its services at a rate of 0.5% on an annual basis. These fees are in addition to the advisory fees clients pay to LWA. LWA endeavors to minimize any such additional cost to its clients.

## **Past Due Accounts and Termination of Agreement**

LWA reserves the right to stop work on any account that is more than 60 days overdue.

A client may terminate a LWA contract by giving advance written notice to establish a termination date. In such cases, fees incurred through the termination date will be charged to the client and any unearned fees will be returned to the client on a pro-rata basis. The portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of



days during the billing quarter prior to termination. Any unused portion of fees collected in advance will be refunded promptly.

## **Item 6 - Performance-Based Fees**

### **Sharing of Capital Gains**

LWA does not charge “incentive based” management fees. These types of fee arrangements provide the investment management firms that charge them with incremental income when investment returns exceed certain thresholds.

LWA does not use a performance-based fee structure because of the potential conflict of interest. We believe performance-based compensation may create an incentive for an adviser to invest client funds more aggressively than appropriate in order to generate such fees.

## **Item 7 - Types of Clients**

LWA generally provides investment advice to high- net worth individuals, families, trusts, not-for-profit organizations, and business entities.

Client relationships vary in scope, size and length of service.

### **Account Minimums**

The minimum account size is \$1,000,000, although this requirement may be waived at the discretion of LWA. All accounts at LWA are subject to a minimum annual fee of \$7,500. LWA, in its sole discretion, may reduce or waive its minimum account size requirement based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). However, clients who maintain an account size below the stated \$1,000,000 minimum may pay more than the stated minimum annual fee of \$7,500.

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

## Methods of Analysis

LWA utilizes strategic and tactical asset allocation strategies. Our core philosophic beliefs are predicated on the well-established concept that asset allocation is the primary driver of long-term returns.

LWA has a broad mandate to invest around the globe and across asset classes. LWA embraces an open-architecture approach so that it can utilize its due diligence and manager research to choose from a broad selection of investment managers. LWA performs both quantitative and qualitative research to select managers. This manager universe includes, but is not limited to, the use of both passive and active vehicles such as index funds, mutual funds, exchange-traded funds, separate accounts, limited partnerships and individual securities. This highly diversified allocation is combined with an active management of risk and a commitment to a low cost investment model constructed for a client's portfolio. The investment management team's approach is a combination of top-down and bottom-up analysis. We incorporate both quantitative and qualitative inputs to emphasize long-term strategic and short term tactical exposures throughout all parts of the portfolio.

The process begins with the monitoring of economic and corporate results around the world and assessing their possible influence on the outlook for global equity and bond markets. This continuous review and analysis of macroeconomic and market trends is the basis of our research approach. Execution and reach are then optimized by employing both active and passive investments, matching the proper vehicles to intended objectives.

We are committed to honoring the fiduciary standard and ensuring independence and objectivity in our research and in the implementation of client portfolios.

## Investment Strategies

Lenox Wealth Advisors manages multiple investment strategies across the risk-reward spectrum, spanning from pure capital preservation to pure growth.

Following an extensive review of a client's risk tolerance, time horizon and cash flow needs, one of these strategies is determined to be most optimal to achieve the client's stated goals. This strategic allocation is then actively managed for risk tactically through broad exposures (beta) as well as exposure to specific underlying holdings (alpha). These tactical ranges are determined by the Investment Committee and described in customized communications with the client.

Custom strategies are prevalent in our approach. In addition, we often adapt our approach to accommodate individual circumstances.

LWA may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the independent manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. LWA shall continue to render investment advisory services to the client relative to the

ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which LWA shall consider in recommending independent manager(s) include the client's designated investment objective(s) and the management style, performance, reputation, financial strength, reporting, pricing, and research of the various investment managers. The goal of each investment strategy is to generate risk-adjusted returns consistent with each client's investment objective.

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. LWA's investment approach constantly keeps the risk of loss in mind. The investment risks that investors frequently encounter include the following:

1. Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
2. Market Risk: The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
3. 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.
4. Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
5. Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
6. Business Risk: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
7. Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
8. Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9 - Disciplinary Information**

### **Legal and Disciplinary**

Neither LWA nor its employees have been the subject of any disciplinary actions.

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

Neither LWA, nor its investment adviser representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### **Relationship with Broker-Dealer/Investment Adviser**

LWA's investment advisory services are available on the investment platform sponsored by MML Investor Services, LLC ("MML"), a member of the MassMutual Financial Group and a registered broker-dealer and SEC registered investment adviser. As a result, certain registered representatives and/or investment adviser representatives of MML who are expressly authorized by MML and LWA to serve as a solicitor of LWA may access LWA's services for the benefit of their clients. LWA is one of several investment adviser options available on the MML platform. Neither LWA nor any investment adviser representative of LWA is a registered representative or investment adviser representative of MML. LWA's Chief Compliance Officer, Stephanie Scherr Olson, remains available to address any questions that a client or prospective client may have regarding the above indirect conflict of interest.

### **Other Investment Adviser Firm**

LWA has a relationship with Lenox Advisors, Inc., a New York State registered investment adviser and licensed insurance agency ("Lenox Advisors"). Lenox Advisors is a wholly-owned subsidiary of NFP, as is LWA. Although LWA and Lenox Advisors are owned by NFP, LWA and Lenox Advisors are separate and distinct businesses.

LWA maintains separate and distinct office space within the office space occupied by Lenox Advisors and other unaffiliated third party entities. LWA may, upon request, periodically utilize certain facilities, resources and/or administrative personnel of Lenox Advisors. LWA has entered into an agreement with Lenox Advisors whereby the cost of shared resources and personnel are allocated between the entities based upon utilization.

Lenox Advisors has a number of employees and independent contractors who are registered representatives and investment adviser representatives of MML. These individuals may only consider investment management programs and sub-advisors that have been approved by MML for its platform. MML's platform includes resources such as LWA which can render

advice regarding asset allocation and the selection of third party investment management programs and sub-advisers.

A number of the Lenox Advisors employees and independent contractors who are registered representatives and investment adviser representatives of MML are also investment adviser representatives of Lenox Advisors. The Lenox Advisors state registered RIA serves the limited purpose of providing fee-based financial planning services to its clients. Existing financial planning clients of Lenox Advisors may be referred to LWA for its investment management services.

LWA anticipates that it will receive both direct and indirect referrals from MML representatives engaged by Lenox Advisors who are expressly permitted to act as solicitors of LWA. LWA also anticipates that many of its clients will continue to maintain a separate and continuing relationship with Lenox Advisors and/or MML relative to their investment, financial planning and/or insurance-related needs. LWA's Chief Compliance Officer, Stephanie Scherr Olson, remains available to address any questions that a client or prospective client may have regarding this indirect conflict of interest.

As disclosed above, LWA is owned by NFP, a publicly traded company, which also owns other registered investment advisers, broker-dealers, insurance agencies and other product and service providers (collectively "NFP Affiliates"). In the event LWA recommends that you purchase or sell products and services from or through NFP Affiliates, the NFP Affiliates and/or LWA may receive compensation as a result of such recommendations. LWA does not have any special compensation arrangements with NFP Affiliates, including Lenox Advisors. However, if special terms were created, a recommendation that you purchase or sell products or services by or through an NFP Affiliate could create a conflict of interest as it could result in increased compensation to an NFP Affiliate and/or LWA. LWA's Chief Compliance Officer, Stephanie Scherr Olson, remains available to address any questions that a client or prospective client may have regarding the above potential conflict of interest.

### **Licensed Insurance Agency/Agents**

LWA is not an insurance agency nor does it employ any insurance agents. However, LWA anticipates that it will receive both direct and indirect referrals from Lenox Advisors, which is a licensed insurance agency. In addition certain independent contractors of Lenox Advisors, in their individual capacities, are licensed insurance agents. Certain of these individuals are also registered representatives and/or investment adviser representatives of MML. LWA anticipates that it shall receive both direct and indirect referrals from the insurance agents engaged by Lenox Advisors. It is also anticipates that many of LWA's clients will continue to maintain a separate and continuing relationship with Lenox Advisors, MassMutual Life Insurance Company and/or MML relative to their investment and/or insurance-related needs. LWA's Chief Compliance Officer, Stephanie Scherr Olson, remains available to address any questions that a client or prospective client may have regarding the above indirect conflict of interest.

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

### **Code of Ethics**

LWA has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which establishes standards of conduct for LWA's employees, also known as supervised persons. The Code of Ethics is based upon fundamental principles of transparency, integrity, honesty and trust. In addition, this policy includes general requirements that LWA's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. The policy also requires that all LWA employees report their personal security transactions and holdings quarterly to LWA's Compliance Officer. It also requires the Chief Compliance Officer to review and verify those reports. Supervised persons are also required to report any violation of the Code of Ethics by themselves or others promptly to LWA's Chief Compliance Officer. Each supervised person of LWA receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each must certify that he or she complied with the Code of Ethics during that year. Clients and prospective clients may obtain a copy of LWA's Code of Ethics by contacting us at (212) 231-9050.

### **Participation or Interest in Client Transactions**

Neither LWA nor any related person of LWA recommends, buys, or sells for client accounts, securities in which LWA or any related person of LWA has a material financial interest. LWA and its employees may buy or sell securities that are also held by or recommended to clients. This presents a potential conflict of interest because it may create a situation where LWA or its employees are in a position to benefit from the sale or purchase of these securities. To mitigate this conflict with the Code, the following procedures are followed:

1. When aggregating securities transactions, if an issue is purchased or sold for clients and the same issue is purchased or sold by LWA and/or its employees, orders for LWA and/or its employees will not be executed until all client orders are completed.
2. If it is determined that all client trades are complete, employee trades may be entered and may receive the same average price as the client trades placed with the same custodian.
3. Though there is no guarantee that LWA employees will receive a better or worse execution than that received by its clients, all clients' portfolios must be addressed prior to or coincident with employee transactions.

## **Personal Trading**

LWA has a personal securities transaction policy in place to monitor the personal securities transactions and holdings of each LWA employee. The Chief Compliance Officer of LWA reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of LWA receive preferential treatment.

## **Item 12 - Brokerage Practices**

### **Selecting Brokerage Firms**

In the event a client asks LWA to recommend a broker-dealer/custodian for execution and/or custodial services, LWA generally recommends that investment management accounts be maintained at Charles Schwab & Co., Inc. ("Schwab"). Simultaneous to engaging LWA to provide investment management services pursuant to a formal Wealth Management Agreement, the client must also enter into a separate custodial/clearing agreement with each designated broker-dealer/custodian.

LWA considers a variety of factors in selecting a custodian. These factors include the financial strength and stability of the organization, market leadership, independence, reputation, core competencies, strengths and weaknesses, quality and breadth of trading platform, trade order execution and settlement, aggregate trading management, commission rates, trade error policies, technology, innovation, client servicing abilities, ability to provide best execution and provide market for thinly traded positions, as well as the particular needs of each client. The majority of the trading is executed at the custodian.

In addition to the above, LWA recognizes that the analysis of trade order execution quality is imperative and involves a number of factors, both qualitative and quantitative. LWA considers all of these factors in seeking to obtain the most favorable execution for our clients' trades. LWA evaluates the quality and cost of services received from broker-dealers on a semi-annual basis.

LWA has no affiliation with recommended and selected broker-dealers. Any conflicts of interest are addressed through disclosure or other appropriate action. Specific broker-dealer recommendations are made in the best interests of clients utilizing the factors and processes discussed.

### **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, LWA may receive from Schwab, or another broker-dealer/custodian, without cost and/or at a discount, support services and/or products, certain of which assist the Registrant to better monitor and service client accounts

maintained at such institutions. Included within the support services that may be obtained by LWA may be investment-related research, pricing information and market data, software and other technology that provide LWA 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 LWA in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that LWA receives will assist LWA in managing and administering client accounts. Other services or products may not directly provide such assistance, but rather will aid LWA in efficiently and effectively managing and developing its business enterprise.

Clients of LWA do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by LWA to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

### **Soft Dollar Arrangement**

In return for effecting securities transactions through a designated broker-dealer/custodian, LWA receives certain investment research products or services which assist LWA in its investment decision making process for its clients pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a “soft-dollar” arrangement). Investment research products or services received by LWA may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by LWA's clients comply with LWA's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where LWA determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although LWA will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Although the investment research products or services that may be obtained by LWA will generally be used to service all of LWA's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or



services obtained by LWA that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, LWA shall make a reasonable allocation of the cost of the product or service according to its use. Specifically, the percentage of the product or service that provides assistance to LWA's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by LWA with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, LWA's investment management fee.

Schwab may also provide LWA with other services intended to help LWA manage and further develop its business enterprise, including assistance in the following areas: consulting, publications and presentations, information technology, business succession, and marketing. In addition, Schwab may make available or arrange and/or pay for these types of services provided by independent third parties, including regulatory compliance.

Except as otherwise expressly arranged with a client, Schwab's responsibility is limited to executing transactions pursuant to the direction of LWA. Schwab has not assisted in the selection of LWA and the client has the sole and exclusive responsibility for the selection of LWA. LWA is solely responsible for the management of client's portfolio.

## **Directed Brokerage**

A client may direct LWA to utilize a particular broker-dealer to execute some or all transactions for his/her account(s). In such circumstances, the client is responsible for negotiating the terms and arrangements for the account with that broker-dealer. LWA may not be able to obtain better execution services or be able to aggregate client transactions with orders for other accounts advised or managed by LWA, except that it may seek to negotiate transaction fees. As a result, a client may pay higher brokerage commissions and a different price than other clients based on account trading activity as defined by terms set by the directed broker-dealer.

## **Order Aggregation**

Where possible, LWA will aggregate buy and sell orders for client accounts trading in the same security on the same day. By aggregating trades, LWA is trying to improve the marketability and execution quality of the transaction for all clients involved. Once the aggregated trade is fully filled and executed, client accounts participating in the trade will receive the average price of all executed trades in the aggregated order. This ensures no client is more or less advantaged than any other participants in the order. If an aggregated order is partially filled at the close of the trading day, the order is allocated on a pro rata basis according to the original aggregated allocation. As noted above, clients who have directed that a particular brokerage firm handle transactions will not be affected by these aggregated transactions.

## **Trade Errors**

LWA's policies and procedures manual provides that if LWA makes an error while placing a trade for a client account, that LWA will correct the error as quickly as possible and bear all costs of correcting the error. In addition, LWA will establish a trade error account with the account custodian and shall maintain all trade errors resulting in gains in such account and use the proceeds of any such account (if any) to offset any trade error reimbursements that it must make to a client.

## **Item 13 - Review of Accounts**

### **Periodic Reviews**

Portfolio holdings are monitored and reviewed continuously. Client accounts are reviewed no less than quarterly by the Chief Investment Officer and/or the Chief Compliance Officer to ensure consistency with the client's Investment Policy Statement. At least annually, LWA obtains updated client information either directly from the client, or from an affiliated or unaffiliated solicitor who may have referred the client to LWA.

This information is to ensure that there has not been a change in the client's account circumstances, financial condition, risk profile, or investment objections that would warrant a change in the investment strategy. LWA may rebalance and actively change the allocation of discretionary accounts as warranted and as limited by the Investment Policy Statement.

To the extent clients of LWA have relationships with other third parties, including Lenox Advisors, who they receive financial, legal, accounting, tax, insurance, estate or other advice, for the administrative benefit of the client, the client may authorize such third party advisors to work directly with LWA to update and communicate certain information and objectives.

### **Review Triggers**

Changes in the client's situation, such as a change in financial condition, risk profile, or investment objectives, as well as the incapacity or death of the client or a close family member of the client trigger immediate review. In addition, there are other triggers for review including significant market movements, new investment information, and changes in the regulatory and tax laws.

### **Regular Reports**

LWA will provide clients, on a quarterly basis after the first full quarter, with written transaction confirmations

notices and regular written summary account statements. These quarterly reports summarize account activity and show the performance of the accounts, including the starting and ending values for the quarter, as well as a detailed account appraisal as of the last trading day of the quarter. Included in the fourth quarter report is a realized gains and loss report for the year plus a listing of investment income earned.

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

If a client is introduced to LWA by either an unaffiliated or an affiliated solicitor, LWA may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from LWA's advisory fee, and shall not result in any additional charge to the client. If a solicitor does make a referral, LWA has in place a written agreement requiring that the solicitor comply with the Investment Advisers Act of 1940 and rules thereunder and deliver to the client (i) Part 2A of LWA's Form ADV, (ii) Part 2 of MML's Form ADV and (iii) a written solicitor disclosure statement meeting the requirements of the Rule.

If the client is introduced to LWA by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship. The solicitor is responsible for providing each prospective client with a copy of LWA's Form ADV Part 2, as well as a copy of the solicitor disclosure statement. The solicitor disclosure statements discloses the terms of the solicitation arrangement between LWA and the solicitor, including the compensation to be received by the solicitor from LWA.

## **Item 15 - Custody**

### **Account Statements**

LWA does not hold or maintain clients assets. Third-party qualified custodians hold and maintain client assets and those custodians provide account statements directly to clients at their address of record.

Clients will receive statements from the custodian that holds their investment assets, at least on a quarterly basis. LWA urges clients to carefully review these statements promptly. LWA statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please note that third party custodians do not verify the accuracy of LWA's advisory fee calculation.

Though LWA generally is authorized by its clients to debit quarterly fees from their accounts, in no way does LWA have custody of client assets.

## **Item 16 - Investment Discretion**

### **Discretionary Authority for Trading**

LWA accepts discretionary authority to manage securities accounts on behalf of clients. If discretionary authority is granted, LWA will have the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. For best execution purposes, LWA also accepts the discretion to choose to execute trades away from the custodian which can result in additional commissions charged to the client's account.

The client approves the custodian to be used by signing their new account or new advisor form. LWA does not receive any portion of the transaction fees or commissions paid by the client to the custodian and/or brokers.

Discretionary trading authority allows LWA to promptly and efficiently implement the investment policy that the client has approved in writing. Clients who engage LWA on a discretionary basis may, at any time, in writing, impose restrictions on or revoke LWA's discretion.

## **Item 17 - Voting Client Securities**

### **Proxy Votes**

LWA does not vote client proxies. Clients will receive proxies or other solicitations directly from the account custodian and will be responsible for: (1) directing and voting the proxies solicited by issuers of owned securities, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to investments in client accounts. Clients may contact LWA to discuss any questions regarding a particular solicitation.

## **Item 18 - Financial Information**

### **Financial Condition**

LWA does not have any financial impairment that would preclude LWA from meeting its contractual commitments to clients. LWA has never been the subject of a bankruptcy petition.

A balance sheet is not required to be provided herein because LWA does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and

six months or more in advance.