

**Firm Brochure**  
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of LONE PINE WEALTH MANAGEMENT. If you have any questions about the contents of this brochure, please contact us at: 248-325-9947, or by email at: dsculati@lpwm.net. 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 LONE PINE WEALTH MANAGEMENT is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

May 16th, 2012

## **Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

With signing into law the Dodd-Frank Wall Street Reform and Consumer Protection Act, there have been significant changes to mid-sized investment adviser firms. Mid-sized investment adviser firms are those with assets under management between \$25 million and \$100 million.

Any mid-sized investment adviser firm who was formally registered with the SEC must switch to state registration, meaning that the mid-sized investment adviser will now be regulated by the appropriate state.

Lone Pine Wealth Management (“LPWM”) falls into the mid-sized investment adviser firm category and will be switching from federal regulation to state regulation before June 28<sup>th</sup>, 2012.

By June 28<sup>th</sup>, 2012 LPWM will be registered with Michigan, Ohio, Louisiana and Texas.

In our newly updated Investment Advisory Agreement, clients may opt for electronic delivery of items such as the ADV Part 2, statements, performance reports, etc. LPWM will assume clients would like these prior items in physical format until the Investment Advisory Agreement dictates otherwise.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: 248-325-9947 or by email at: [dsculati@lpwm.net](mailto:dsculati@lpwm.net).

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## Advisory Business

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### **Firm Description**

LONE PINE WEALTH MANAGEMENT, ("LPWM") was founded in 2011.

LPWM provides personalized confidential financial planning and wealth management to individuals, pension and profit sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review and sales, wealth management, education funding, retirement planning, and estate planning.

LPWM is primarily a fee-only financial planning and wealth management firm. For financial planning only, clients can opt for an hourly rate. The firm is not affiliated with entities that sell financial products or securities. No commissions or finders' fees in any form are accepted for financial planning and wealth management.

LPWM is in the business of selling life insurance, long term care insurance, and can sell annuities if the client requests it.

Investment advice is an integral part of financial planning. In addition, LPWM advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

Investment advice is provided, with LPWM making the final decision on investment selection. LPWM does not act as a custodian of client assets. The client always maintains asset control. LPWM places trades for clients under a limited power of attorney.

A written evaluation of each client's initial situation is provided to the client, often in the form of an Asset Allocation Analysis. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and wealth management may be beneficial to the client.

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### **Principal Owners**

David J. Sculati is the sole member of the LLC.

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## **Types of Advisory Services**

LPWM provides investment supervisory services, also known as asset management services and furnishes investment advice through consultations.

On more than an occasional basis, LPWM furnishes advice to clients on matters not involving securities.

For Example: Financial planning matters; taxation issues; trust services that include estate planning, etc.

As of May 16<sup>th</sup> 2012, LPWM has \$40,268,247.16 in assets under management with 148 clients containing 351 accounts.

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## **Tailored Relationships**

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect the stated goals and objective. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may only be assigned with client consent.

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## **Types of Agreements**

The following agreements define the typical client relationships.

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### **Investment Advisory Agreement**

All clients choose to have LPWM manage their assets to obtain ongoing in-depth advice and life planning. All aspects of the client's financial affairs are reviewed, including those of their children. Realistic and measurable goals are set and objectives to reach those goals are defined. As goals and objectives change over time, suggestions are made and implemented on an ongoing basis.

For Example:

1. A client's review with LPWM results in a goal to plan for future education costs. After this goal has been met another review would take place to assess current goals.
2. An initial client's review with LPWM results in plans for retirement. After the client retires, another review takes place to assess current goals.

The scope of work and fee for an *Investment Advisory Agreement* is provided to the client in writing before the start of the relationship. An Investment Advisory Agreement includes: wealth management (including performance reporting); education planning; retirement planning; basic estate planning; and tax preparation, as well as the implementation of recommendations.

The annual *Investment Advisory Agreement* fee is based on a percentage of the investable assets according to the following schedule:

Breakpoints	All Assets	Financial Planning	
		Additional Annual Fee	Annual Hours Included
\$0 to \$1 Million	1.00%	.25%	12
Next \$1 Million	.80%	.25%	24
Next \$1 Million	.60%	.25%	40
Above \$3 Million	.40%	.25%	60

The minimum annual fee is \$2,000 and is negotiable. Current client relationships may exist where the fees are higher or lower than the fee schedule above.

Although the *Investment Advisory Agreement* is an ongoing agreement and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro rata basis for the portion of the quarter completed. 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 before termination.

The *Investment Advisory Agreement* includes an area for clients to sign and initial for consent for electronic delivery of various materials such as the ADV Part 2, statements, performance reports, etc.. LPWM will assume all clients would prefer physical copies of these materials unless indicated on the Investment Advisory Agreement.

### **Financial Planning**

Along with LPWM's investment management and other wealth management services, LPWM also provides for financial planning services from a Financial Planner.

LPWM may charge either a fixed hourly rate or a percentage of assets fee for financial planning according to the client's preference.

The hourly fee is \$250 per hour, with an initial deposit of 50%. This initial deposit includes the first 8 hours of financial planning. The fee is negotiable based on the complexity of the client's situation and the assets that are to be evaluated.

If the client chooses the .25% additional option, then there will be a maximum amount of hours allocated for financial planning per year. Hours spent above this amount are subject to an hourly fee of \$150.



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## **Asset Management**

Assets in most accounts are invested primarily in individual securities, money market funds, no-load mutual funds or load funds that allow investment advisers to buy their shares at net asset value, usually through discount brokers or fund companies.

### Definitions:

**Individual Security:** Stocks and bonds are examples of individual securities. Stocks are a share of the ownership of a company. Initially, they are sold by the original owners of a company to gain additional funds to help the company grow. The owners basically sell control of the company to the stockholders. After the initial sale, the shares can be sold and resold on the stock market. A bond or fixed income security is also a type of individual security. The bond issuer promises to pay back the bond purchaser the principal and possibly interest by the listed maturity date. Individual securities can come in different sizes and structures.

Example: Microsoft is an individual security listed on the NASDAQ stock exchange with the symbol "MSFT"

Example: Microsoft issues a bond (debt security) that LPWM purchases on behalf of clients on 1/1/2011 for \$900. The face value of the bond is \$1,000. MSFT states they will pay \$50 in interest semiannually until the maturity date on 1/1/2013. At maturity the clients receive the face value (\$1,000) and have received four \$50 payments over the last two years.

**Mutual Funds:** Mutual funds are portfolios of individual securities that are created and managed by mutual fund companies. Fund companies charge each fund shareholder a wealth management fee that is disclosed in the fund prospectus. Mutual funds sometimes charge a "sales charge" or "load" to investors who purchase this security. A "load" is an upfront sales charge. LPWM does not normally purchase funds with a "load". No-load mutual funds do not charge an upfront sales charge. Mutual funds come in different sizes, strategies and structure.

Example: Kinetics Global Adviser Class A Fund is a load fund listed on the NASDAQ stock exchange with the symbol "KGLAX". Fidelity Contrafund is a no-load fund listed on the NASDAQ stock exchange with the symbol "FCNTX"

**Money Market Fund:** A mutual fund that invests in short-term fixed income securities that are considered low-risk. These are generally not federally insured and pay dividends that reflect short-term interest rates.

Example: Schwab Money Market Fund is a fund where cash in an account can be held until another investment opportunity is found.

Discount brokerages may charge a transaction fee for the purchase of some funds. LPWM currently has an agreement with discount brokerage firm Charles Schwab which states that clients of LPWM will never be subject to transaction fees larger than \$49.95. If a client chooses to use a custodian other than Charles Schwab then these transaction fees may be different. LPWM does not participate in any of these fees. When mutual funds are used, the clients of LPWM pay both LPWM's management fee and the fees imposed by the mutual fund trading company.

LPWM manages client assets according to client needs in individual portfolios that may contain equities, mutual and fixed income securities. LPWM has full investment discretion on all accounts. Any exception is indicated in each client's investment advisory contract.

Stocks and bonds are purchased or sold through a brokerage account. The brokerage firm charges a fee for stock and bond trades. LPWM does not receive any compensation, in any form, from fund companies. LPWM clients pay brokerage commissions and fees in addition to LPWM's management fee. The only form of compensation to the custodian or broker dealer is derived from the trading commissions paid by the clients.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, futures contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available through LPWM.

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### **Termination of Agreement**

A client may terminate any of the aforementioned agreements at any time by notifying LPWM in writing and paying the rate for the time spent on the investment advisory engagement before notification of termination. If the client made an advance payment, LPWM will refund any unearned portion of the advance payment.

LPWM may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made an advance payment, LPWM will refund any unearned portion of the advance payment.

This is outlined more specifically in the *Investment Advisory Agreement*.

## **Fees and Compensation**

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### **Description**

LPWM bases most of its fees on a percentage of assets under management for wealth management and clients who choose this method for financial planning.

LPWM also receives commissions on the sale of insurance and annuity products.

LPWM bases some of its fees on an hourly basis for financial planning.

Wealth management and financial planning fees are negotiable.

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### **Fee Billing**

LPWM bills wealth management and percent-of-asset based fees quarterly, in advance, meaning that LPWM will invoice clients during the quarter for which they are being billed and in advance of the end of that quarter. The asset amount on which the fee is calculated is the closing value of the previous quarter. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. Clients of LPWM must consent in advance to direct debiting of their investment account.

The fee structure is applied each quarter to determine the amount billed to each client. At each breakpoint there is a reduction in the overall fee that is assessed on each client.

New clients are not prorated an investment management fee. In other words, if a client opens an account in the middle of a billing period, they will not pay a fee until the next billing is assessed.

Examples:

1. Client A has \$500,000 in assets at LPWM and chooses to do financial planning. The client would pay a total amount (if assets stayed at \$500,000) \$6,250 for the year assessed and paid each quarter. In this scenario, Client A would pay \$1,562.50 each quarter (1.25% divided by 4, multiplied by \$500,000).
2. Client B is a new client to LPWM with \$500,000 in assets and chooses to do financial planning. At the end of the first quarter the assets amount to \$500,000 for a bill totaling \$1,562.50 (1.25% divided by 4, multiplied by \$500,000).

The next quarter, the client transferred \$750,000 more assets to LPWM totally assets of \$1.25 Million. This quarter the fee assessed on the value of assets up to \$1 Million was 1.25%, and the fee assessed on the value of assets over \$1 Million was 1.05%. This amounts to a fee of \$3,125 on the \$1 Million (1.25% divided by 4, multiplied by \$1 Million), and \$656.25 (1.05% divided by 4, multiplied by \$250,000) on the \$250,000. This client would have an effective fee of .3025% for the quarter, or 1.21% annualized (\$656.25 added to \$3,125, divided by \$1.25 Million). The total bill for this quarter was \$3,781.25.

This is also outlined in the *Investment Advisory Agreement*.

LPWM bills hourly for financial planning services. The initial 50% of hourly services are collected as a deposit prior to the plan creation process. The final 50% is billed within 30 days of the plan being created and presented to the client

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### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security. The maximum transaction fee a LPWM client can incur is \$49.95 if the client chooses to use Charles Schwab as the custodian. Clients can incur transaction fees larger than \$49.95 if the client chooses to use a different custodian.

LPWM in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

New *Investment Advisory Agreement* fees are based on our standard fee schedule.

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### **Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% annually for their services. These fees are in addition to the fees paid by you to LPWM.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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

LPWM reserves the right to stop work on any account that is more than 30 days overdue. In addition, LPWM reserves the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in LPWM's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

## **Performance-Based Fees**

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### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

LPWM does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Types of Clients

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### Description

LPWM generally provides investment advice to individuals, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

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### Account Minimums

LPWM does not have a minimum account size.

LPWM does have a minimum annual fee of \$2,000.

When an account falls below \$200,000 in value, the minimum annual fee of \$2,000 is charged.

LPWM has the discretion to alter the account minimum.

## Methods of Analysis, Investment Strategies and Risk of Loss

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### Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

#### Definitions:

**Charting & Technical Analysis:** Displaying several technical indicators of a single security on a “chart”. This allows comparisons of technical measures using different charting methods to analyze investments and performance. Security analysis focused around past trends, price and volume. This is sometimes referred to as supply and demand analysis. There are various statistical measures used to forecast a security’s future performance.

**Fundamental Analysis:** Determining a security’s true value (sometimes called the intrinsic value) by focusing on factors that are measurable. This data is analyzed and compared against other securities as well as future prospects. This analysis is used to evaluate whether a security is overvalued or undervalued.

**Cyclical Analysis:** Evaluation of the current economic cycle (sometimes referred to as the business cycle) to help determine proper valuations of companies. This is seen as a macro-economic

analysis that helps identify opportunities/concerns in specific industries and further more specific companies.

The main sources of information include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that LPWM may use include: past and present articles found within Barron's and The Wall Street Journal; Morningstar Adviser Workstation; Schwab Institutional; Charles Schwab & Company; Value Line; and the World Wide Web.

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### **Investment Strategies**

LPWM will buy individual securities in most accounts but does invest client dollars in money market funds, no-load mutual funds or load funds that allow investment advisers to buy their shares at net asset value. These mutual funds are used to meet specific goals as outlined in the Investment Policy Statement. Diversification in a smaller account will often make buying a mutual fund rather than individual securities necessary.

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### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **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.
- **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.
- **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.
- **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.
- **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.

- **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.
- **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.
- **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.

## **Disciplinary Information**

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### **Legal and Disciplinary**

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## **Other Financial Industry Activities and Affiliations**

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### **Financial Industry Activities**

LPWM is a Registered Investment Adviser.

LPWM was registered with the SEC prior to the Dodd-Frank Wall Street Reform and Consumer Protection Act being signed into law. Now, LPWM is registered with Michigan, Ohio, Louisiana and Texas.

LPWM will no longer be regulated federally, and instead will be regulated on the state level

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### **Affiliations**

LPWM has no affiliations. Employees of LPWM have affiliations that are disclosed elsewhere in this document.

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

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## Code of Ethics

The employees of LPWM have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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## Participation or Interest in Client Transactions

LPWM and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the LPWM *Compliance Manual*.

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## Personal Trading

The Chief Compliance Officer of LPWM is David J. Sculati. He reviews all employee trades each quarter. His trades are reviewed by Nathan Hawrot. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small relative to the size of the market, the trades do not affect the securities markets.

# Brokerage Practices

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## Selecting Brokerage Firms

LPWM does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. LPWM recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

LPWM recommends discount brokerage firm Charles Schwab & Co. Inc.

LPWM does not receive fees or commissions from any of these arrangements.

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## Best Execution

LPWM reviews the execution of trades at each custodian each quarter. The review is documented in the LPWM *Compliance Manual*. Trading fees charged by the custodians is also reviewed on a quarterly basis. LPWM does not receive any portion of the trading fees.

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## Soft Dollars

LPWM is currently not engaged in any soft dollar arrangements.



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## **Order Aggregation**

LPWM does aggregate client trades when it would be beneficial for clients.

LPWM has a Bunched Order Policy that governs the practice of aggregating trades which is included in LPWM's *Compliance Manual*.

The Bunched Order Policy states:

Transactions for each client account will occur independently unless LPWM decides to purchase or sell the same securities for several clients on the same day. LPWM may combine or "bunch" client orders.

When buying or selling, all clients will receive an average execution price for the security. Not all accounts participating in a bunched order will receive a pro-rata commission. Each account will be subject to the minimum ticket fee imposed by the broker dealer who has custody of the account.

In cases where a partial fill arises with a buy or a sell order, accounts will be allocated based first upon the quantity they are trading (high to low) and then alphabetically (A to Z).

Employees of LPWM will not participate in bunched orders if there is a partial fill. Employees of LPWM will participate in bunched orders if a limit order is filled, or if a market order is placed.

Any client that specifically directs us to use a custodian other than Charles Schwab & Co., Inc. will not be able to participate in bunched orders.

For Example: If LPWM were to enter a limit order to buy or sell 10,000 shares of XYZ Company at \$10 per share and LPWM was only able to purchase 7,000 shares, then the above policy would be used to allocate this purchase.

## **Review of Accounts**

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### **Periodic Reviews**

Account reviews are performed quarterly by advisers David J. Sculati and Nathan Hawrot. Account reviews are performed more frequently when market conditions dictate.

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### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### **Regular Reports**

Account reviewers are members of the firm's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Clients receive periodic communications on at least an annual basis. *Investment Advisory Agreement* clients receive written quarterly updates. The written updates may include individual performance reports as well as an aggregate report for all of the clients' accounts. Annual ADV offer, Annual Privacy Policy, realized gain and loss report in January for the previous year and other reports are also available upon request.

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

LPWM will receive client referrals. The referrals that come from current clients will not result in client compensation.

LPWM engages in solicitation agreements with licensed or designated professionals who refer clients to LPWM. The compensation paid to these other professionals is from LPWM. Clients will pay no more than if they had not been directly referred.

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### **Referrals Out**

LPWM does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

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### **Other Compensation**

LPWM does receive compensation in the follow forms:

#### Financial Planning

Along with LPWM's investment management and other wealth management services, LPWM also provide for financial planning services from a Financial Planner. Financial planning services include, but are not limited to, the following:

1. Initial asset and liability review
2. Prior year tax statement analysis
3. Evaluation of current financial situation
4. Estate planning
5. Implementation recommendations for both financial and estate plans
6. Semiannual/Annual review

LPWM may charge either a fixed hourly rate or a percentage of assets fee for financial planning according to the client's preference. In certain scenarios the client will benefit more by choosing to pay hourly for a plan. In most scenarios the percentage of assets fee may be of better value to clients.

The hourly fee starts at \$250 per hour, with an initial deposit of \$2,000. This initial deposit includes the first 8 hours of financial planning. The fee is negotiable based on the complexity of the client's situation and the

assets that are to be evaluated. The maximum total fee for a plan is \$15,000, which is 60 hours of financial planning.

The percentage of assets fee method is based on those clients who have decided to have LPWM manage their investments and would also like the inclusion of having the additional service of financial planning.

Each client will pay a straight .25% fee for adding on financial planning to their accounts. The maximum yearly hours are spread over the course of the year which includes the service items listed above. The maximum yearly fee is the highest expected fee that a client could expect to receive based on their assets.

#### Insurance:

David J. Sculati is licensed as an insurance agent and able to transact business with multiple carriers. He may recommend insurance products to clients in creating and funding their financial plan. In this capacity, David is able to implement recommended insurance transactions for separate and typical commission compensation. Clients are not under any obligation to engage David when considering implementation of recommendations. The implementation of any and all recommendations is solely at the discretion of the client.

On occasion and if the client agrees, an outside insurance consultant will be introduced to provide insurance analysis and recommendations to the client.

If a recommended product is used, the outside consultant will split up to 50% of the commissions with David J. Sculati in exchange for the introduction. This agreement only applies if the client purchases the insurance through the outside consultant.

**NOTE:** Clients should be aware that a conflict exists between the interests of the client and the interests of David J. Sculati. The client is under no obligation to act upon the recommendations of David J. Sculati or the outside consultant. If the client decides to act upon any of the recommendations the client is under no obligation to affect the insurance transactions through David J. Sculati.

## Custody

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### **Account Statements**

All assets are held at qualified custodians. This means the custodians provide account statements directly to clients at their address of record at least quarterly.

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## **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by LPWM

## **Investment Discretion**

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### **Discretionary Authority for Trading**

LPWM accepts discretionary authority to manage securities accounts on behalf of clients. LPWM has 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. However, LPWM consults with the client before each trade to obtain concurrence if a blanket trading authorization has not been given.

The Client approves the custodian to be used. LPWM negotiates the commission rates paid to the custodian. LPWM does not receive any portion of the transaction fees or commissions paid by the Client to the custodian on certain trades.

Discretionary trading authority facilitates placing trades in Client accounts on the behalf of clients so that LPWM may promptly implement the investment policy that clients of LPWM have approved in writing.

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### **Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

## **Voting Client Securities**

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### **Proxy Votes**

LPWM does vote proxies on securities on behalf of clients.

In voting client proxies, LPWM will look at ballot proposals from the viewpoint of owners. In determining whether to vote for proposed directors, LPWM will vote for the recommended slate if these three requirements are met:

1. The proposed director is a direct owner of the company's stock.
2. They do not serve on more than five (5) other company boards of directors.
3. They do not receive more than 15% of their annual compensation from the company as a director or a contract or services.

In voting for company auditors, LPWM will usually vote as directed by management.

In general, LPWM will vote against the "poison pill"

On company proposals, LPWM will vote on matters in a way that does not materially dilute the interests of the shareholders, but is fair to the officers.

On stock option proposals, LPWM will vote against proposals that give a disproportionate share (more than 30%) of the proposed grant to the top five officers. LPWM will also vote against option grants that are greater than 3% annually of the outstanding shares.

Ballot proposals, in general, will be voted in a manner that is in the interest of LPWM client shareholders, which may or may not be recommended by management.

## Financial Information

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### Financial Condition

LPWM does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

A GAAP balance sheet will be provided as necessary to each state which requires it. Audited financials are not required as LPWM does not maintain custody of any client assets.

## Business Continuity Plan

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### General

LPWM has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

Each of the following is a general overview of the items involved in LPWM's business continuity plan. The specifics can be found in LPWM's *Compliance Manual* which is updated at least annually.

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### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

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### Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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**Loss of Key Personnel**

David J. Sculati is the principal owner of LPWM, and will not be leaving the firm.

If David J. Sculati were unable to perform his duties at LPWM, each client would be able to move the management of their account to another adviser. Each account is separately managed and LPWM does not have custody of any client assets.

## **Information Security Program**

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**Information Security**

LPWM maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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**Privacy Notice**

LPWM is committed to maintaining the confidentiality, integrity and security of the personal information that is gathered.

The categories of nonpublic information that LPWM collects from clients may include information about client personal finances, information about client health to the extent that it is needed for the financial planning process, information about transactions between clients and third parties, and information from consumer reporting agencies, e.g., credit reports. LPWM uses this information to help clients meet personal financial goals.

With permission, LPWM discloses limited information to attorneys, accountants, and mortgage lenders with whom clients have established a relationship. Clients may opt out from LPWM sharing information with these nonaffiliated third parties by notifying LPWM at any time by telephone, mail, fax, email, or in person. With permission, LPWM shares a limited amount of information about clients with the client's brokerage firm to execute securities transactions on the behalf of clients.

LPWM maintains a secure office to ensure that client information is not placed at unreasonable risk. LPWM employs a firewall barrier, secure data encryption techniques and authentication procedures in LPWM's computer environment.

LPWM does not provide personal information to mailing list vendors or solicitors. LPWM requires strict confidentiality in agreements with unaffiliated third parties that require access to client personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review LPWM records and client personal records as permitted by law.

Personally identifiable information about clients will be maintained throughout the client's relationship with LPWM, and for the required period thereafter that

records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

LPWM will notify clients in advance if LPWM's privacy policy is expected to change. LPWM is required by law to deliver this *Privacy Notice* to clients annually, in writing.