

# **Legacy One Financial Advisors, LLC**

## **FORM ADV PART 2A**

### **BROCHURE**

#### **Item 1 – Cover Page**

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This brochure provides information about the qualifications and business practices of Legacy One Financial Advisors, LLC. If you have any questions regarding the contents of this brochure, please do not hesitate to contact our Chief Compliance Officer, Carolyn Bargsley, by telephone at (512) 342-0202 or by email at [cbargsley@legacy1fa.com](mailto:cbargsley@legacy1fa.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.

Legacy One Financial Advisors, LLC is a registered investment advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training. Additional information about Legacy One Financial Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

December 13, 2017

## **Item 2 – Material Changes**

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

Legacy has changed the identifying information on the first page of this brochure to reflect the name, telephone number and email address of our newly appointed Chief Compliance Officer and supplemented information about majority owner of Legacy in Item 4.A.

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## **Item 4 - Advisory Business**

### **A. Description of the Advisory Firm**

Legacy One Financial Advisors, LLC (“Legacy” or the “Firm”) is a limited liability company organized in Delaware. Legacy has a single member, Legacy One Financial Holdings, LLC. Legacy is an investment advisory firm registered with the United States Securities and Exchange Commission (“SEC”). Legacy is wholly owned by Legacy One Financial Holdings, LLC. The majority owner of Legacy One Financial Holdings, LLC as of June 2, 2017 is Austin FP, Inc., whose sole owner is Kevin W. Lange.

### **B. Types of Advisory Services**

Legacy manages client investment portfolios on a discretionary or non-discretionary basis. In addition, Legacy offers a full suite of wealth management services to individuals, families, institutions, and businesses, which include financial planning and consulting services as well as discretionary and/or nondiscretionary management of investment portfolios. In designing and implementing customized strategies, Legacy can manage, on a discretionary or nondiscretionary basis, a broad range of investment strategies and vehicles.

Legacy primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities, and external investment managers in accordance with clients’ stated investment objectives.

Where appropriate, Legacy may also provide advice about positions clients held in their portfolios prior to engaging Legacy. Clients may also engage Legacy to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employee sponsored retirement plans and qualified tuition plans (for example, 529 plans). In those situations, Legacy directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the products’ provider.

### **C. Client-Tailored Advisory Services**

Each client’s needs are different. Legacy tailors its wealth management services to the specific needs of each client. Each wealth management client is provided an advisor whose role is to facilitate the provision of wealth management services that are tailored to the client’s unique circumstances. Legacy consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. If a client’s financial situation changes, or if their investment

objectives or risk tolerance changes, clients are advised to promptly advise Legacy of such changes or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions on the management of their accounts if Legacy determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for Legacy's management efforts.

#### **D. Assets Under Management**

As of date of this filing, Legacy provides investment advice to clients, of which \$505,276,546 was discretionary and \$11,387,112 was non-discretionary assets under management. Total Regulatory Assets Under Management (RAUM) was \$516,663,658.

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

#### **A. Fee Schedule for Advisory Services**

Legacy offers services on a fee basis. The fees are based on a percentage of the assets under management in the client's account. Legacy's fees for wealth management services are negotiable and vary based on several factors, including the size of the relationship and the nature and complexity of the products and investments involved. The fees generally range between .75% and 1.25% annually of the client's total assets under management.

Fees for Legacy's wealth management services are separate from and in addition to any transaction or similar fees/expenses and the fees/expenses charged by any custodian, broker, subadvisor, mutual fund, exchange traded fund, external investment manager, limited partnership, strategy consultant, or other advisor, as the case may be.

Pursuant to Legacy's standard agreement, an investment advisory agreement may be terminated at will by either Legacy or clients.

Legacy offers its clients the provision of a financial plan included in the engagement at no additional cost to the client. This service is provided subject to the availability of the client and the timely cooperation of the client.

#### **B. Payment of Fees**

Legacy generally deducts its advisory fee from a client's investment account(s) held at his/her custodian. Upon engaging Legacy to manage such account(s), a client grants Legacy this limited authority through a written instruction to the custodian of his/her account(s). The fee generally is billed in advance on a quarterly basis, except that clients that are 401k plans generally are billed in arrears. A newly-managed account is charged a fee from the start date to the end of the quarter. The fee is based on the value of the account the day prior to the start date. Thereafter, the quarterly fee is based on the market value of the account on the last business day of the previous quarter. Although clients generally are required to have their wealth management

fees deducted from their accounts, in some cases, Legacy will directly bill a client for wealth management advisory fees if it determines that such billing arrangement is appropriate given the circumstances.

### **C. Clients Responsible for Custodial and Brokerage Fees**

In connection with Legacy's management of an account, a client will incur fees and/or expenses separate from Legacy's management fee. These additional fees may include transaction charges and the fees/expenses charged by any custodian, subadvisor, mutual fund, ETF, separate account manager (and the manager's platform manager, if any), limited partnership, or other advisor, transfer taxes, odd lot differentials, exchange fees, interest charges, ADR processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law, retirement plan account fees (where applicable), margin interest, brokerage commissions, mark-ups or mark-downs and other transaction-related costs, electronic fund and wire fees, and any other fees that reasonably may be borne by a brokerage account. The client is responsible for all such fees and expenses. Please see Item 12 of this brochure regarding brokerage practices.

### **D. Prepayment of Fees**

As noted in Item 5(B) above, Legacy's management fees generally are paid in advance. Upon the termination of a client's investment advisory relationship, Legacy will issue a refund equal to any unearned management fee for the remainder of the quarter. The client may specify how he/she would like such refund issued (*i.e.*, a check sent directly to the client or a check sent to the client's custodian for deposit into his/her account).

### **E. Outside Compensation for the Sale of Securities Or Other Investment Products to Clients**

Legacy does not buy or sell securities and does not receive any compensation for securities transactions in any client account, other than the investment advisory fees noted above.

Certain Legacy representatives who provide investment advice to clients ("advisory persons") may also be registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS") a FINRA-registered broker-dealer and member of SIPC.

A Legacy advisory person who is a registered representative of PKS may implement securities transactions on a commission basis through PKS. In such instances, the advisory person will receive commission-based compensation in connection with the purchase and sale of securities, as well as a share of any ongoing distribution or service (trail) fees, including 12b-1 fees for the sale of investment company products. Compensation earned by the advisory person in his or her capacity as a registered representative is separate from and in addition to Legacy's advisory fee.

The receipt of such compensation by an advisory person presents a conflict of interest as an advisory person who is a registered representative may have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on client needs. To mitigate these conflicts, clients are under no obligation to purchase securities products through PKS or Legacy advisory persons who are registered representatives or otherwise engage such persons and may choose brokers or agents not affiliated with Legacy or PKS. Further, Legacy will not charge an ongoing investment advisory fee on assets purchased by a client through an advisory person acting in their capacity as a registered representative.

Advisory persons of Legacy may also be licensed as insurance professionals. Such persons earn commission-based compensation for selling insurance products to clients. Insurance commissions earned by advisory persons who are insurance professionals are separate from and in addition to Legacy's advisory fee. This practice presents a conflict of interest as an advisory person who is an insurance professional may have an incentive to recommend insurance products for the purpose of generating commissions rather than solely based on client needs. Clients are under no obligation to purchase insurance products through any person affiliated with Legacy..

#### **Item 6 - Performance-Based Fees and Side-by-Side Management**

Legacy does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance based fees. Legacy's fees are calculated as described in Item 5 above.

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

Legacy offers wealth management services to individuals, family offices, trusts, institutions, charitable foundations, and retirement/profit-sharing plans.

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

##### **A. Methods of Analysis and Risk of Loss**

The first step in Legacy's investment strategy is getting to know the clients – to understand their financial condition, risk profile, investment goals, tax situation, liquidity constraints – and assemble a complete picture of their financial situation. To aid in this understanding, Legacy offers clients financial planning. This comprehensive approach is integral to the way that Legacy does business. Once Legacy has a true understanding of its clients' needs and goals, the investment process can begin, and the Firm can recommend strategies and investments that it believes are aligned with the clients' goals and risk profile.



Legacy has an investment committee. The investment committee selects assets and products from across many asset classes, including global and domestic equities, taxable and non-taxable fixed income, mutual funds and ETFs. Once the investment committee reviews and approves mutual funds and ETFs, they are added to the Firm's approved list and may be purchased by Legacy advisors for clients. Similarly, Legacy may select certain external managers to manage a portion of its clients' assets. The investment committee also reviews and approves the external managers in which the Firm has placed client assets.

Investing in securities involves a risk of loss. A client can lose all or a substantial portion of his/her investment. A client should be willing to bear such a loss. Some investments are intended only for sophisticated investors and involve a high degree of risk.

## **B. Material Risks Involved**

The mutual funds and ETFs that the Firm frequently invests client assets with or recommends to clients generally own securities and therefore also involve the risk of loss that is inherent in investing in securities. The extent of the risk of ownership of fund shares generally depends on the type and number of securities held by the fund. Mutual funds invested in fixed income securities are subject to the same interest rate, inflation, and credit risks associated with the fund's underlying bond holdings. Fixed income securities may decrease in value as a result of many factors, for example, increases in interest rates or adverse developments with respect to the creditworthiness of the issuer. Risks also may be significantly increased if a mutual fund pursues an alternative investment strategy. An investment in an alternative mutual fund involves special risks such as risk associated with short sales, leveraging the investment, potential adverse market forces, regulatory changes, and potential illiquidity. Investing in alternative strategies presents the opportunity for significant losses.

An ETF's risks include declining value of the securities held by the ETF, adverse developments in the specific industry or sector that the ETF tracks, capital loss in geographically focused funds because of unfavorable fluctuation in currency exchange rates, differences in generally accepted accounting principles, or economic or political instability, tracking error, which is the difference between the return of the ETF and the return of its benchmark and trading at a premium or discount, meaning the difference between the ETF's market price and NAV. ETFs also are subject to the individual risks described in their prospectus. Although many mutual funds and ETFs may provide diversification, risks can be significantly increased if a mutual fund or ETF is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage to a significant degree, or concentrates in a particular type of security. One of the main advantages of mutual funds and ETFs is that they give individual investors access to professionally managed, diversified portfolios of equities, bonds and other securities.

Although the goal of diversification is to combine investments with different characteristics so that the risks inherent in any one investment can be balanced by assets that move in different cycles or respond to different market factors, diversification does not eliminate the risk of loss. In some circumstances, price movements may be highly correlated across securities and funds. A specific fund may not be diversified and a client portfolio may not be diversified. Additionally, when diversification is a client objective, there is risk that the strategies that the Firm uses may not be successful in achieving the desired level of diversification. There is also risk that the strategies, resources, and analytical methods that the Firm uses to identify mutual funds and ETFs will not be successful in identifying investment opportunities.

The following events also could cause mutual funds, ETFs, and other investments managed for clients to decrease in value:

- Market Risk: A decline in the stock market could depress the prices of stocks and other equity securities in a client's portfolio. An increase in interest rates or a change in the relationship between different market interest rates could depress the prices of bonds and other fixed income securities in a client's portfolio.
- Event Risk: An adverse event affecting a particular company or that company's industry could depress the price of a client's investments in that company's stocks or bonds. The company, government or other entity that issued bonds in a client's portfolio could become less able to, or fail to, repay, service or refinance its debts, or the issuer's credit rating could be downgraded by a rating agency. Adverse events affecting a particular country, including political and economic instability, could depress the value of investments in issuers headquartered or doing business in that country.
- Liquidity Risk: Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions.
- Domestic and/or Foreign Political Risk: The events that occur in the U.S. relating to politics, government, and elections can affect the U.S. markets. Political events occurring in the home country of a foreign company such as revolutions, nationalization, and currency collapse can have an impact on the security.
- Inflation Risk: Countries around the globe may be more, or less, prone to inflation than the U.S. economy at any given time. Companies operating in countries with higher inflation rates may find it more difficult to post profits reflecting its underlying health.
- Illiquid Securities: Investments in hedge funds and other private investment funds may underperform publicly offered and traded securities because such investments: Typically

require investors to lock-up their assets for a period of time and may be unable to meet redemption requests during adverse economic conditions;

- Have limited or no liquidity because of restrictions on the transfer of, and the absence of a market for, interests in these funds;
- Are more difficult for to monitor and value due to a lack of transparency and publicly available information about these funds;
- May have higher expense ratios and involve more inherent conflicts of interest than publicly traded investments; and
- Involve different risks than investing in registered funds and other publicly offered and traded securities. These risks may include those associated with more concentrated, less diversified investment portfolios, investment leverage and investments in less liquid and non-traditional asset classes.

Past performance of a security or a fund is not necessarily indicative of future performance or risk of loss. Returns on mutual fund investments are reduced by management costs and expenses.

### **C. Unusual Risks of Specific Securities**

#### **Risk Associated with Initial Public Offerings**

Investments in initial public offerings (or shortly thereafter) may involve higher risks than investments issued in secondary public offerings or purchases on a secondary market due to a variety of factors, including, without limitation, the limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the issuer and limited operating history of the issuer. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them. These factors may contribute to substantial price volatility for such securities and, thus, for the value of the company's shares.

#### **Risks Associated with Closed-End Funds**

Closed-end funds typically use a high degree of leverage. They may be diversified or non-diversified. Risks associated with closed-end fund investments include liquidity risk, credit risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds may trade below their net asset value.

### Risks Associated with Structured Notes

Complexity. Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with us.

Market risk. Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. *For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal.* Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, or market volatility.

Issuance price and note value. The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes may not be re-sold on a daily basis and thus may be difficult to value given their complexity.

Liquidity. The ability to trade or sell structured notes in a secondary market is often very limited as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on security exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.

Credit risk. Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that may be due on the structured notes.

### **Item 9 – Disciplinary Information**

Legacy has no legal or disciplinary events to report.

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

Legacy may recommend that clients use external managers based on the client's needs and suitability. Legacy does not receive separate compensation, directly or indirectly, from such external managers for recommending that clients use their services. Legacy does not have any other business relationships with the recommended external managers.

### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions**

#### **A. Description of Code of Ethics**

Legacy has adopted a *Code of Ethics* (the "Code") which requires the Firm's Supervised Persons to comply with their legal obligations and fulfill the fiduciary duties owed to the Firm's clients. Among other things, the Code of Ethics sets forth policies and procedures related to conflicts of interest, outside business activities, gifts and entertainment, compliance with insider trading laws and policies and procedures governing personal securities trading by certain Firm personnel (called "Access Persons"). Personal securities transactions of advisory personnel present potential conflicts of interest with the price obtained in client securities transactions or the investment opportunity available to clients. The Code addresses these potential conflicts by prohibiting securities trades that would breach a fiduciary duty to a client and requiring, with certain exceptions, Access Persons to report their personal securities holdings and transactions to Legacy for review by compliance personnel. The Code also requires Access Persons to obtain pre-approval of certain investments, including initial public offerings and limited offerings.

Legacy will provide a copy of the *Code of Ethics* to any client or prospective client upon request.

### **Item 12 – Brokerage Practices**

#### **A. Factors Used to Select Custodians and/or Broker-Dealers**

Legacy does not maintain custody of client assets on which Legacy advises. Client assets must be maintained in an account at a "Qualified Custodian."

Legacy generally recommends that its investment management clients custody their accounts/assets at unaffiliated broker/dealer custodians with which Legacy has an institutional relationship. Currently, this includes Schwab Advisor Services, a division of Charles Schwab & Co., Inc. (“Schwab”), which is a “Qualified Custodian” as that term is described in Rule 206(4)-2 of the Investment Advisers Act of 1940. Each BD/Custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed by Legacy. If your accounts are custodied at Schwab, Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to.

In deciding to recommend Schwab, some of the factors that Legacy considers include:

- Trade order execution and the ability to provide accurate and timely execution of trades;
- The reasonableness and competitiveness of commissions and other transaction costs;
- Access to a broad range of investment products;
- Access to trading desks;
- Technology that integrates within Legacy’s environment, including interfacing with Legacy’s portfolio management system;
- A dedicated service or back office team and its ability to process seamlessly and timely myriad requests from Legacy on behalf of its clients;
- Ability to provide Legacy with access to client account information through an institutional website; and
- Ability to provide clients with electronic access to account information and investment and research tools.

Legacy may place portfolio transactions through the BD/Custodian where the clients’ accounts are custodied. In exchange for using the services of the BD/Custodian, Legacy may receive, without cost, computer software and related systems support that allows Legacy to monitor and service its clients’ accounts maintained with such BD/Custodian.

Schwab also makes available to the Firm products and services that benefit the Firm but may not directly benefit the client or the client’s account. These products and services assist us in managing and administering client accounts. They include investment research, both Schwab’s own and that of third parties. Legacy may use this research to service all or some substantial

number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

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

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

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

Transition-related expenses: In connection with the launch of Legacy and the Firm's intention to recommend that clients custody their assets with Schwab, Schwab has agreed to provide Legacy with reimbursement of Transfer of Account Exit Fees for a value not to exceed \$437,000. These funds will be used toward fees client accounts will bear if the accounts are transferred to Schwab. Schwab has also agreed to pay for eligible third party vendor services and services provided by Schwab affiliates not to exceed \$300,000 for marketing, technology, the creation of compliance manual or research expenses. These payments shall be distributed as follows: (1) \$100,000 in initial support; (2) \$100,000 once there are \$350 million in non-negotiable assets transferred to the Schwab platform; and (3) \$100,000 once there are \$700 million in non-negotiable assets transferred to the Schwab platform. Legacy will also receive



benefits related to marketing services and the use of client relationship management (“CRM”) systems.

These products and services from Schwab benefit Legacy in that it does not have to purchase them. The benefits may incentivize Legacy to routinely recommend Schwab as custodian over custodians who do not offer such products and services.

Legacy will periodically review its arrangements with the BD/Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. 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’s services, including, but not limited to, the following:

- a broker-dealer’s trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- a broker-dealer’s infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;
- a broker-dealer’s ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- a broker-dealer’s ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and
- a broker-dealer’s ability to provide services to accommodate special transaction needs, such as the broker-dealer’s ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

As described above, Schwab provides to Legacy, without cost, research and trade execution services. Legacy has not entered into any formal “soft dollar” arrangements with broker-dealers.



Legacy's clients may utilize qualified custodians other than Schwab for certain accounts and assets, particularly where clients have a previous relationship with such qualified custodians.

#### Brokerage for Client Referrals

Legacy does not select or recommend broker-dealers based solely on whether or not it may receive client referrals from a broker-dealer or third party.

#### Client-Directed Brokerage

Generally, in the absence of specific instructions to the contrary, for brokerage accounts that clients engage Legacy to manage on a discretionary basis, Legacy has full discretion with respect to securities transactions placed in the accounts. This discretion includes the authority, without prior notice to the client, to buy and sell securities for the client's account and establish and affect securities transactions through the BD/Custodian of the client's account or other broker-dealers selected by Legacy. In selecting a broker-dealer to execute a client's securities transactions, Legacy seeks prompt execution of orders at favorable prices.

A client, however, may instruct Legacy to custody his/her account at a specific broker-dealer and/or direct some or all of his/her brokerage transactions to a specific broker-dealer.

In directing brokerage transactions, a client should consider whether the commission expenses, execution, clearance, settlement capabilities, and custodian fees, if any, are comparable to those that would result if Legacy exercised its discretion in selecting the broker-dealer to execute the transactions. Directing brokerage to a particular broker-dealer may involve the following disadvantages to a directed brokerage client:

- Legacy's ability to negotiate commission rates and other terms on behalf of such clients could be impaired;
- such clients could be denied the benefit of Legacy's experience in selecting broker-dealers that are able to efficiently execute difficult trades;
- opportunities to obtain lower transaction costs and better prices by aggregating (batching) the client's orders with orders for other clients could be limited; and
- the client could receive less favorable prices on securities transactions because Legacy may place transaction orders for directed brokerage clients after placing batched transaction orders for other clients.

In addition to accounts managed by Legacy on a discretionary basis where the client has directed the brokerage of his/her account(s), certain institutional accounts may be managed by Legacy on a non-discretionary basis and are held at custodians selected by the institutional client.

The decision to use a particular custodian and/or broker-dealer generally resides with the institutional client. Legacy endeavors to understand the trading and execution capabilities of any such custodian and/or broker-dealer, as well as its costs and fees. Legacy may assist the institutional client in facilitating trading and other instructions to the custodian and/or broker-dealer in carrying out Legacy's investment recommendations.

### Trade Errors

Legacy's goal is to execute trades seamlessly and in the best interests of the client. In the event a trade error occurs, Legacy endeavors to identify the error in a timely manner, correct the error so that the client's account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

Trade errors generally are corrected through the use of a "trade error" account or similar account at Schwab, or another BD, as the case may be. In the event an error is made in a client account custodied elsewhere, Legacy works directly with the broker in question to take corrective action. In all cases, Legacy will take the appropriate measures to return the client's account to its intended position.

## **B. Trade Aggregation**

Client accounts are managed on an individual basis. Legacy therefore generally does not aggregate client trades. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the Firm's Supervised Persons may invest, the Firm will generally do so in a fair equitable manner in accordance with applicable rules promulgated under the Advisers Act and guidance provided by the staff of the SEC and consistent with policies and procedures established by the Firm.

## **Item 13 – Review of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Legacy monitors investment management portfolios as part of an ongoing process. Client advisors review the accounts they manage on behalf of its clients at least annually. These reviews may include the following:

- compare the account's allocation with stated goals;
- review holdings and consider alternatives;
- monitor the size of individual securities relevant to their sectors, asset classes, and overall account size;

- analyze an account's composition and performance, income, appreciation, gains/losses, and asset allocation; and
- assess its performance.

## **B. Other Reviews**

Legacy may perform compliance and/or supervisory reviews of a sampling of client accounts. These reviews may include comparing an account's strategy and/or allocation to the account's stated objectives, reviewing commission and transaction costs borne by the account, and reviewing the billing rate and charges.

## **C. Content and Frequency of Regular Reports Provided to Clients**

### **Investment Management Accounts**

Each client receives or has access to account statements from the qualified custodian of his/her account at least quarterly. In addition, the qualified custodian sends trade confirmation notices to clients.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients**

Legacy does not receive benefits from third parties for providing investment advice to clients.

### **B. Compensation to non-Supervised Persons for Client Referrals**

#### **Referral Arrangements with Individuals**

Legacy has entered into referral arrangements in place with certain unaffiliated individuals that act as solicitors and may from time-to-time refer potential investors to Legacy for investment management services. Each arrangement must be in compliance with Rule 206(4)-3 of the Investment Advisers Act. For each successful referral, Legacy will pay to the solicitor a fee which represents a percentage of the investment management revenue that Legacy charges and collects from the client. The length of each arrangement may vary. In all cases, Legacy requires that potential clients be provided a copy of Legacy's ADV 2A as well as the terms of the specific referral arrangement. The client is not charged the cost of the solicitation of his/her account(s), i.e. Legacy does not charge a referred client investment management fees that are higher than its standard rates.

**Item 15 – Custody**

All clients must utilize a “qualified custodian” as detailed in item 12. Clients are required to engage the custodian to retain their funds and securities and direct Legacy to utilize the custodian for the client’s securities transactions. Legacy’s agreement with clients and/or the clients’ separate agreement with the B/D Custodian may authorize Legacy through such BD/Custodian to debit the client’s account for the amount of Legacy’s fee and to directly remit that fee to Legacy in accordance with applicable custody rules.

The BD/Custodian recommended by Legacy has agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Legacy. Legacy encourages clients to review the official statements provided by the custodian, and to compare such statements with investment reports received from Legacy. For more information about Custodians and brokerage practices, see “Item 12 - Brokerage Practices.”

**Item 16 – Investment Discretion**

For clients that have hired Legacy for wealth management services, Legacy generally has discretionary authority to manage their investments, such authority having been granted by an investment advisory agreement executed by Legacy and the client.

With respect to Legacy’s exercising investment discretion over an account, this authority is granted through a limited power of attorney granted by the client to Legacy through a client-executed custodial application and/or related custodial form. A client retains the right and ability to remove any and all of Legacy’s discretionary authorities over his/her account.

For some clients, Legacy may provide ongoing supervisory and investment advice with respect to non-discretionary accounts and/or assets as agreed upon by Legacy and the client.

As explained above in Item 4(C), a client may impose reasonable restrictions or limitations on the management of his/her account. Any such restrictions or limitations generally are reflected in an investment policy statement executed by Legacy and the client and/or other written instructions provided to Legacy.

**Item 17 – Voting Client Securities**

As a matter of Firm policy and practice, Legacy does not accept authority to vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. Clients receive proxies or other solicitations directly from the custodian or transfer agent.

## **Item 18 – Financial Information**

### **A. Balance Sheet**

Legacy does not require prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore does not need to include a balance sheet with this Brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither Legacy nor its management has any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Years**

Legacy has not been the subject of a bankruptcy petition.