



# **LDIntelligence**

Intelligible Innovative Investing

## **LDIntelligence LLC**

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November 1, 2017

Part 2A Brochure

This brochure provides information about the qualifications and business practices of LDIntelligence LLC ("LDIntelligence"). If you have any questions about the contents of this brochure, please contact us at (480) 300-4900. 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. LDIntelligence is a Registered Investment Adviser. 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 LDIntelligence LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a IARD number. The IARD number for LDIntelligence LLC is 288253.

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## ITEM 2 – MATERIAL CHANGES

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### **Summary of Material Changes**

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The following changes have been made since our initial filing on June 8, 2017:

#### **CCO Update:**

Effective October 25, 2017, Aaron Brasfield has been named CCO of LDIntelligence LLC.

#### **ITEM 4: Ownership**

The firm and related entities were established by its founder James A. Pupillo in 2017. LDIntelligence LLC is Manager managed LLC. Jim Pupillo is the Managing Member. The following are Members of the LLC - David Brasfield, Steve McCoy, Aaron Brasfield, Darren Evans, Frank Gesuale, Peter Storts and SBR Skies, LLC.

#### **ITEM 10: Dually Registered Investment Advisors Representatives (“IAR”)**

Some of our IARs are IARs of HighTower Advisors, LLC. These IARs are considered dually registered IARs. LDIntelligence and its IARs are committed to always acting in its clients’ best interest. LDIntelligence has adopted policies and procedures designed to ensure that it is always acting in the best interests of a client and to mitigate any conflicts of interest.

#### **ITEM 14: Client Referrals and Other Compensation**

The firm no longer engages in Solicitor relationships.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Aaron Brasfield at 480-998-2552.

We encourage you to read this document in its entirety.

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## ITEM 4 – ADVISORY BUSINESS

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This Disclosure document is being offered to you by LDIntelligence LLC (“LDIntelligence” or “Firm”) about the investment advisory services we provide. It discloses information about the services that we provide and the way those services are made available to you, the client. For our investment and wealth management consulting services, LDIntelligence will operate under the name LDIntelligence Advisors, LLC. LDIntelligence is the sole member of LDIntelligence Advisors, LLC. The Firm is also the sole member of LD-MAP, LLC. LDiMAP provides all IP tools, technology, portfolio construction, Collective Investment Trusts (“CIT”) and SMA sub-advisory fees as well as the platform subscription fees.

We are an investment management consulting firm located in Scottsdale, Arizona. We specialize in investment advisory services Private Clients, Eleemosynary Organizations, Retirement Plans, other Institutions and Native American Sovereign Nations & Organizations. The firm and related entities were established by its founder James A. Pupillo in 2017. LDIntelligence LLC is Manager managed LLC. Jim Pupillo is the Managing Member. The following are Members of the LLC- David Brasfield, Steve McCoy, Aaron Brasfield, Darren Evans, Frank Gesuale, Peter Storts and SBR Skies, LLC.

We are committed to helping clients build, manage, and preserve their wealth, and to provide assistance that helps clients achieve their stated financial goals. We will offer initial complimentary meetings upon our discretion; however, investment advisory services are initiated only after the client and LDIntelligence execute an engagement letter or client Investment Advisory Agreement (“Agreement”).

### Investment and Wealth Consulting and Supervision Services

LDIntelligence Advisors offers discretionary investment consulting and investment supervisory services for a fee based on a percentage of your assets under management. These services include asset/liability analysis, Investment Policy Development, asset allocation, investment manager selection/monitoring, performance reporting and ongoing portfolio monitoring and client reviews. We primarily allocate client assets among various no-load institutional share class mutual funds, exchange-traded funds (“ETFs”), factor-derived, active and passive equity, fixed income and liquid alternative investment securities in accordance with their stated investment objectives.

We will work with you to obtain necessary information regarding your financial condition, investment objectives, liquidity requirements, risk tolerance, time horizons, and any investment restrictions. This information enables us to determine the most suitable portfolio for your investment objective and needs.

In performing our services, we shall not be required to verify any information received from you or from other professionals. If you request, we will recommend you engage the services of other professionals for implementation purposes. You have the right to decide whether to engage the services of any such recommended professional.

Once we have determined the suitable targeted return asset allocation and appropriate investments to be included in your portfolio, we will provide ongoing portfolio review and management services. This approach requires us to review your portfolio on an ongoing basis.

We will rebalance the portfolio, as we deem appropriate, to meet your financial objectives. We trade these portfolios and rebalance them on an ongoing basis based on your investment objectives and on the combination of our market views, using LDIntelligence investment process. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives.

In all cases, you have a direct and beneficial interest in your securities, rather than an undivided interest in a pool of securities. We do have limited authority to direct the Custodian to deduct our investment advisory fees from your accounts, but only with the appropriate written authorization in our Agreement.

Where appropriate, we provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage us to advise on certain investment products that are not maintained at their primary custodian, such as assets held in employer sponsored retirement plans, qualified tuition plans (i.e., 529 plans), variable life insurance and annuity contracts.

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks may exist that adversely affect an account's performance. This could result in capital losses in your account.

#### Goals-Based Financial Planning

Through the Financial Planning process, LDI Advisors team strives to engage our clients in conversations around the financial goals, objectives, priorities, vision, and legacy – both for the near term as well as for the future. With the unique goals and circumstances of each client in mind, LDI Advisors will offer wealth planning ideas and strategies to address the client's holistic financial picture. LDI Advisors does not provide tax or legal advice. We will work with your independent tax/legal advisor (CPA, Estate Attorney, Insurance broker, etc.) to help create a plan tailored to your specific needs. Such services include various reports

on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets and periodic updates.

Our specific services in preparing your financial plan may include:

- Review and clarification of your financial goals.
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management and goals-based financial modeling.
- Creation of a unique asset/liability configuration matched to your financial goal(s). Development of a goal-oriented investment plan, with input from various advisors to our clients around tax suggestions, asset allocation, expenses, risk and liquidity factors for each goal. This includes IRA and qualified plans, taxable and trust accounts that require special attention.

Risk management is at the core of our investment philosophy. The objective is to achieve the targeted return needed to fund the client financial goal with the less amount of risk. Written performance reports, portfolio structure evaluations, cash flows and related reporting is provided regularly. We request to meet with each client at least once a year and preferably twice a year or quarterly. We are always available for additional meetings on an as needed basis as determined by us or the client.

#### Employee Retirement Income Security Act Retirement Plan Advisory Services

For employer-sponsored retirement plans with participant-directed investments, our firm provides its advisory services as an investment advisor as defined under Section 3(21) and 3(38) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

When serving as an ERISA 3(38) investment manager, the plan sponsor is relieved of all fiduciary responsibility for the investment decisions made by LDI Advisors. LDI Advisors is a discretionary investment manager in accordance with the terms of a separate ERISA 3(38) Investment Management Agreement between LDI Advisors and the plan sponsor. LDI Advisors's investment management is limited in that it has the discretion solely to replace funds in plan fund lineups and initiate the transfer of existing balances to the replacements without prior approval from the client.

LDI Advisors provides the following services to the plan sponsor:

- Select the investments.
- Monitor the investments and replace investments when appropriate.
- Provide a quarterly monitoring report.
- Assist in Education and enrollment of participants.
- Assist the plan sponsor in developing an Investment Policy Statement ("IPS").
- Provide a comprehensive fiduciary investment review designed to meet Plan

Sponsor fiduciary responsibility and enhance the participant experience. This includes fiduciary education as requested by the Department of Labor (DOL).

When serving as an ERISA 3(21) investment advisor, the plan sponsor and PSI share fiduciary responsibility. The plan sponsor retains ultimate decision-making authority for the investments and may accept or reject the recommendations in accordance with the terms of a separate ERISA 3(21) Investment Advisor Agreement between PSI and the plan sponsor. PSI provides the following services to the plan sponsor:

- Screen investments and make recommendations.
- Monitor the investments and suggests replacement investments when appropriate.
- Provide a quarterly monitoring report.
- Assist the plan sponsor in developing an Investment Policy Statement (“IPS”).

#### Investnet Services

LDIntelligence has contracted with InvestnetPMC to provide access to their portfolio modeling, account trading and administration systems.

The services provided by Investnet include:

- Assessment of the client's investment needs and objectives.
- Implementation of an asset allocation.
- Delivery of suitable style allocations (e.g., Large Cap, Small Cap, Growth, Value, etc.)
- Facilitation of portfolio transactions.
- Ongoing monitoring of investment vehicles performance.
- Review of client accounts for adherence to policy guidelines and asset allocation.
- Recommendations for account re-balancing, if and when necessary.
- Reporting of client portfolio performance and progress.
- Engaging selected investment vehicles on behalf of the client

#### Sub-Advisory Services to Collective Investment Trust Funds

In addition to the separate account services described above, we offer sub-advisory services to certain collective investment trust (“CIT”) funds. Information concerning these funds and investments, including a description of the services to be provided and advisory fees payable to us would be contained in each fund's prospectus or investment’s offering documents.

#### Wrap Fee Programs

We do not have a wrap fee program.

### Assets

As of October 31, 2017, we have \$165,617,072 assets under our management. Our total discretionary assets are \$165,617,072 and our total non-discretionary assets are \$0.00.

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## ITEM 5 - FEES AND COMPENSATION

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### Investment Management Consulting Fees and Compensation

We charge a fee as compensation for providing Investment Management Consulting services on your account. These services include advisory and consulting services, trade entry, investment supervision, and other account-maintenance activities. Our custodian charges asset based fees or transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.

The advisory fee is based on an annual percentage of assets under management and applied to the account asset value on a pro-rata basis and billed quarterly in advance. The initial fee will be based upon the average daily balance of the portfolio in the partial quarter, prorated for the number of days in the quarter that your account is under management. Thereafter, the quarterly fee will be calculated on the average daily balance of that calendar quarter. The market value will be determined as reported by the Custodian. Unless otherwise agreed upon and stated in Exhibit B of the Agreement, fees are assessed on all assets under management, including securities, cash and money market balances. When applicable and noted in Exhibit B of the Agreement, legacy positions will also be excluded from the fee calculation.

Our maximum annual advisory fee is for an account paying a percentage of assets under management is 1.35%. The specific advisory fees are set forth in your Agreement. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated.

We may aggregate asset amounts in accounts from your same household together to determine the advisory fee for all your accounts. We would do this, for example, where we also service private client accounts on behalf of your minor children, individual and joint accounts for a spouse, and/or other types of family related accounts. This consolidation practice is designed to allow you the benefit of an increased asset total, which could potentially cause your account(s) to be assessed a lower advisory fee.

As directed by the Client in the Agreement, the independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization in the client agreement permitting the fees



to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you indicating all the amounts deducted from the account including our advisory fees. You are encouraged to review your account statements for accuracy. In certain cases and as selected in the Agreement, our fee may be billed directly to you, the client.

Either LDIntelligence Advisors or you may terminate the management agreement immediately upon written notice to the other party. The management fee will be pro-rated to the date of termination, for the quarter in which the cancellation notice was given and refunded back to you. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client's death or disability, we will continue management of the account until we are notified and given alternative instructions by an authorized party.

#### Financial Modeling, Cash Flow Analysis or Planning Fees

Our financial planning services, including cash flow and balance sheet creation, are included in the advisory fee discussed above, unless otherwise discussed and documented.

#### Administrative Services

We have contracted with an outside vendors to utilize technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, payable reports, website administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, our vendor will have access to client accounts, but will not serve as an investment advisor to our clients. LDIntelligence and our vendor are non-affiliated companies. We are charged an annual fee for each account administered by our vendor. Please note that the fee charged to the client will not increase due to the annual fee LDIntelligence pays for this service.

#### Retirement Plan Advisory Services

For ERISA Retirement Plan Advisory Services compensation, we charge an annual fee as negotiated with the client and disclosed in a separate ERISA Investment Advisory Agreement. The compensation method is explained and agreed upon in advance before any services are rendered. Our maximum advisory fee for Retirement Plan services are 0.76% annually.

Plan advisory services begin with the effective date of the Agreement, which is the date you sign the ERISA Investment Advisory Agreement. For that calendar quarter, fees will be adjusted pro-rata based upon the number of calendar days in the calendar quarter that the Agreement was effective. In certain circumstances, our fees and the timing of the fee payments may be negotiated. Invoices are sent out each quarter to either the client or the

custodian of the Plan. For Plans where our fee is billed to the custodian, the fee is deducted directly from the participant accounts. Written authorization permitting us to be paid directly from the custodial account is outlined in the Investment Advisory Agreement.

Either party may terminate the Agreement at any time upon immediate notice. You are responsible to pay for services rendered until the termination of the agreement.

#### Additional Fees and Expenses:

In addition to the advisory fees paid to us, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees charged by the Independent Managers, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), 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. Our brokerage practices are described at length in Item 12, below.

#### **ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees) nor engage in side by side management.

#### **ITEM 7 - TYPES OF CLIENTS**

We provide investment advice to Private Clients, Eleemosynary Organizations, Retirement Plans, other Institutions and Native American Sovereign Nations & Organizations. Our minimum initial account value is \$1,000,000; however, we may accept accounts for less than the minimum at our sole discretion.

#### **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### Investment Philosophy

##### *Risk Control Priority*

Prudent risk control is at the core of our institutional investment consulting and private client wealth management services. Managing risk is paramount in how we design, preserve, accumulate and monitor clients’ financial assets and liabilities. We seek to accomplish this through our “Balancing the Balance Sheet” approach, which designs asset/liability modeled strategies aimed to accomplish our clients’ cash flow needs while proportionately mitigating their downside risk exposure.

### *Asset/Liability Approach*

Liability Derived Intelligence™ portfolio construction begins with identifying the Investor's Liability Derived index- LDIndex™ calculation. The LDIndex™ links the Investor's assets to their growth and cash flow liabilities for meeting current and future financial goals.

We believe these Advanced Portfolio Theory attributes and the LDIntelligence™ methodology provide better procedures for constructing Investor-tailored portfolios. LDIntelligence™ defines an Investor's income, inflation protection, growth, and liquidity needs while also monitoring portfolio risk exposures. The LDIndex™ is also an event driven discipline, subject to capital markets and/or Investor circumstantial change(s). These event-driven investing considerations are designed to help avoid emotional hazards of market timing and other potentially destructive investment decisions. Lastly, this process is (ie. Envestnet) monitored and periodically rebalanced for dynamic changes that occur on both sides of the Investor's balance sheet and tactically adjusted for the dynamically changing economic and capital markets environment.

### *Balancing your Balance Sheet*

We seek to work with Investors to analyze and understand both sides of their balance sheet. First, consideration is given to understanding the Investor's liabilities (ie. expenses); the financial goal. Next, we inventory the Investor's assets to determine how the assets should best be structured to obtain this financial goal with the least amount of risk.

These two balance sheet considerations identify the "targeted return" (actuarial assumption), as the necessary reference point for achieving the financial goal. This necessary targeted return is what we refer to as the Investor's Liability Derived index – LDIndex™. This asset/liability modeling approach provides the architectural design for structuring the Investor's most suitable portfolio with aim on the targeted return needed to achieve the financial goal.

### *Strategic Asset Allocation*

Our LDIntelligence™ portfolio construction methodology is designed around your LDIndex™. LDIntelligence™ uses a "Conditioned Value at Risk" – "CVaR" framework within an Upside Potential/Downside Risk optimizer for our strategic asset allocation modeling. LDIntelligence™ is derived from the work of multiple Nobel Prize Laureates (Markowitz, Sharpe, Miller, Scholes, Merton, Kahneman, Fama) and other globally renowned Academics and Practitioners. The LDIntelligence™ process offers a way to manage downside risk, versus a Mean Variance Optimization (MVO) framework, prevalent as today's industry standard.

### *Tactical Asset Allocation*

We utilize a top down approach as a tactical overlay driven by economic/investment trends.

This overlay influences the tactical asset allocation tilts for all five LDIntelligence model portfolios. We adopt a defensive, neutral or optimistic sentiment relative to the economic and capital markets environment. Furthermore, we implement an equity hedge, fixed income hedge and other global liquid alternative investments, 'low to zero' leverage, to buffer portfolio volatility and downside risks.

#### *CORE/Satellite Structure*

LDIntelligence portfolio construction is a "Core/Satellite" structure consisting of an optimal blend of non-proprietary and sophisticated Factor-Derived and Style-Derived Active and Passive (index) investment vehicles. Investment selection is done via a "truth-in-labeling" style-pure analysis involving complex quantitative screening procedures. We also consider qualitative criteria such as an investment management firm's People, Philosophy, Process and Performance criteria.

The LDIntelligence Core/Satellite structure is designed to obtain effective and cost efficient portfolio solutions, and structured as follows:

CORE: Factor-Derived Active investments

SATELLITE: Style-Derived Active, Passive (index), alternative investments are optimally blended around the Core

#### *Factor-Derived Active Return Sources*

At the core of our portfolio construction are enhanced, multi-dimensional or factor engineered investment vehicles. These core investments are designed to optimize risk adjusted returns in a low cost, tax efficient manner.

#### *Style-Derived Active and Pure Style Significance*

LDIntelligence™, through the use of a patented style analysis, accepts the empirical evidence that most Style-Derived Active managers are not 100% style pure as industry labeled. This style deviation is for various valid reasons in managers' attempt to outperform their style benchmarks. However, their portfolio's actual underlying style blends should be identified for more accurate portfolio analysis (i.e. alpha, beta) and accounted for when implementing their active management into the Investor's recommended asset allocation construct. To address this issue, LDIntelligence™ integrates "style pure" indices, which we convinced, Research "Affiliates (RAFI®) to create, for the following reasons:

- Enhanced asset allocation optimization using mutually exclusive and exhaustive fundamental-weighted style pure indices
- More accurate active manager skill evaluation to better identify active managers' added value (alpha)

- Greater assurance of intended asset allocation adherence when blending Style-Derived Active managers into the investment implementation

#### *Passive Indexing*

We integrate Passive (index) investments to budget active Fundamental-Weighted (smart beta) investment vehicles but tactical integrate capitalized-weighted Passive (index) investment vehicles as well. We believe these advanced portfolio construction methodologies create better-built portfolios with greater integrity relative to the investor's LDIndex™ targeted return objective, as well as a greater chance of better financial outcomes toward achieving each investors' financial goal.

#### Risk of Loss

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there will be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, LDIntelligence is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Investors should be aware that accounts are subject to the following risks:

*Market Risk* — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.

*Foreign Securities and Currency Risk* — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

*Capitalization Risk* — Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.

*Interest Rate Risk* — In a rising rate environment, the value of fixed-income securities generally declines and the value of equity securities may be adversely affected.

*Non-U.S. Securities Risk* — Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility and lower liquidity than U.S. securities, less developed securities markets and economic systems and political and economic instability.

*Emerging Markets Risk* — To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.

*Credit Risk* — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the fund's performance.

*Securities Lending Risk* — Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.

*Derivative Risk* — Derivatives are securities, such as futures contracts, whose value is derived from that of other securities or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Hedging with derivatives may increase expenses, and there is no guarantee that a hedging strategy will achieve the desired results.

*ETF and Mutual Fund Risk* — When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs. ETFs face market-trading risks, including the potential lack of an active market for shares (ie. Liquidity), losses from trading in the secondary markets and disruption in the creation/redemption

process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."

*Force Majeure Event* - When we are wholly or partly unable to perform our obligations and which are neither reasonably within our control nor the result of the fault or negligence of LDIntelligence, and which occur despite all reasonable attempts to avoid, mitigate or remedy, and shall include acts of God, war, riots, civil insurrections, cyclones, hurricanes, floods, fires, explosions, earthquakes, lightning, storms, chemical contamination, epidemics or plagues, acts or campaigns of terrorism or sabotage, blockades, embargoes, accidents or interruptions to transportation, trade restrictions, acts of any Governmental Authority, strikes and other labor difficulties, and other events or circumstances beyond our reasonable control.

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#### **ITEM 9 - DISCIPLINARY INFORMATION**

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LDIntelligence does not have any legal, financial or other "disciplinary" item to report.

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#### **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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##### **Insurance**

Our Investment Advisor Representatives (IARs) may act as agents appointed with various life, disability or other insurance companies, receive commissions, trails, or other compensation from the respective product sponsors and/or as a result of effecting insurance transactions for clients. However, clients should note that they have the right to purchase insurance products away from LDIntelligence. As a result, there is a conflict between your interests and LDIntelligence' interests. However, at all times we will act in your best interest and act as a fiduciary in carrying out services provided to you.

##### **Dually Registered Investment Advisors Representatives ("IAR")**

Some of our IARs are IARs of HighTower Advisors, LLC. These IARs are considered dually registered IARs. LDIntelligence and its IARs are committed to always acting in its clients' best interest. LDIntelligence has adopted policies and procedures designed to ensure that it is always acting in the best interests of a client and to mitigate any conflicts of interest.

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#### **ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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LDIntelligence and persons associated with us are allowed to invest for their own accounts or to invest in the same securities or other investments that we recommend or acquire for your account, and may engage in transactions that are the same as or different than

transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information and other situations where there is a possibility for conflicts of interest.

The Code of Ethics is designed to protect our clients to detect and deter misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of LDIntelligence, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether personnel are complying with the firm's ethical principles.

We have established the following restrictions to ensure our firm's fiduciary responsibilities:

1. A director, officer or employee of LDIntelligence shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No director, officer or employee of LDIntelligence shall prefer his or her own interest to that of the advisory client.
2. We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of LDIntelligence.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account. We do reserve the right to decline purchase of various securities, particularly where speculative purchases are not consistent with clients best interests and/or deemed unsuitable for reasons, such as, but not limited to risk, liquidity, etc).
4. We emphasize the unrestricted right of the client to select and choose any custodian (except in situations where we are granted discretionary authority) he or she wishes.
5. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. Any individual not in observance of the above may be subject to termination.



You may request a complete copy of our Code by contacting us at the address, telephone or email on the cover page of this Part 2; Attn: Chief Compliance Officer.

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## **ITEM 12 - BROKERAGE PRACTICES**

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We use third party independent custodians all clients', for investment management accounts. Our Custodians are independent and unaffiliated FINRA-registered broker-dealers. We may recommend that you establish accounts with these custodians to maintain custody of your assets and to effect trades for your accounts. Some of the products, services and other benefits provided by our custodians, via their respective investment advisor platforms, benefit us and may not benefit you or your account, such as user conferences, education forums and research.

There is no direct link between our participation in a Custodian's platform and the investment advice we give to our clients. We/you may receive economic benefits through our participation in the platforms that may not be available to other advisors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. The Custodians may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available by the Custodians through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at the Custodians. Other services made available by the Custodians are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to the Custodians. As part of our fiduciary duties to clients, we endeavor at all times to act in the best interest of our clients. You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of the Custodians for custody and brokerage services.

You may choose to work with one of a few multiple custodians we have available to choose among. In the case where we are asked to give a recommendation, our recommendation is generally based on the broker's cost and fees, skills, reputation, dependability and

compatibility with the client. You may be able to obtain lower commissions and fees from other brokers.

We place trades for your account subject to our duty to seek best execution and other fiduciary duties. We may use broker/dealers other than your custodian to execute trades for your account. The practice of using other broker/dealers may result in additional costs to you so that we are more likely to place trades through your custodian rather than through other broker/dealers. Your custodian's execution quality may be different than other broker/dealers.

We will aggregate trades for ourselves or our associated persons with your trades, providing the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully-disclosed to our existing clients (if any) and the broker/dealer(s) through which such transactions will be placed;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to seek best price) for you and is consistent with the terms of our investment advisory agreement with you for which trades are being aggregated.
3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction;
4. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, the accounts that did not receive the previous trade's positions should be "first in line" to receive the next allocation.
5. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for difference of allocation is explained in writing and is reviewed by our Chief Compliance Officer. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
6. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
7. Individual advice and treatment will be accorded to each advisory client.

### **Trade Errors**

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our

policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the custodian or our trading platform provider, the custodian or trading platform provider will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

We do not routinely recommend, request or require that you direct us to execute transaction through a specified custodian. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties. As a matter of policy and practice, we do not utilize research, research-related products and other services obtained from broker-dealers or third parties, on a soft dollar basis.

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## ITEM 13 - REVIEW OF ACCOUNTS

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### **Account Reviews and Reviewers – Investment Supervisory Services**

The underlying securities within the investment supervisory services are monitored on a periodic basis. These reviews will be made by the firm's Investment Advisor Representatives. An annual review at minimum is desired by LDIntelligence with the client and is usually conducted in person or by telephone.

The purpose of all these reviews is to ensure that the investment plan continues to be implemented in a manner which matches your objectives and risk tolerances. More-frequent reviews may be triggered by material changes in variables such as your individual circumstances, or the market, political or economic environment. You are urged to notify us of any changes in your personal circumstances that may influence our investment recommendations.

### **Statements and Reports**

Through an agreement with our independent third party performance reporting vendor, LDIntelligence will have the ability to provide clients with Performance/Position summary reports upon request. Reports may also be provided at every client meeting. Communication to clients will be done on an as needed basis with a minimum of 1 contact annually.

The custodian for the individual client's account will also provide clients with an account statement at least quarterly. You are urged to compare the reports provided by

LDIntelligence against the account statements you receive directly from your account custodian.

Financial Planning/Consulting clients (i.e. those who have no assets under management with us in our advisory program) will receive no regular reports from the Firm.

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#### **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

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LDIntelligence does not pay out compensation or receive compensation for referrals.

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#### **ITEM 15 - CUSTODY**

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Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

LDIntelligence is deemed to have custody of client funds and securities whenever LDIntelligence is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody LDIntelligence will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which LDIntelligence has the authority to have fees deducted directly from client accounts, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from LDIntelligence. When you have questions about your account statements, you should contact LDIntelligence or the qualified custodian preparing the statement.

Clients will provide written authorization in our Advisory Agreement permitting the fees to be paid directly from their account held by the qualified custodian. When fees are deducted from an account, LDIntelligence is responsible for calculating the fee and delivering instructions to the custodian.

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## ITEM 16 - INVESTMENT DISCRETION

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For discretionary accounts, prior to engaging LDIntelligence to provide investment advisory services, you will enter a written Agreement with us granting the firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. In addition, you will need to execute additional documents required by the Custodian to authorize and enable LDIntelligence, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any investment company registered under the Investment Company Act of 1940 and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such authority will be communicated by you to us in writing.

The limitations on investment and brokerage discretion held by LDIntelligence for you are:

1. For discretionary clients, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
2. Any limitations on this discretionary authority shall be included in this written authority statement. You may change/amend these limitations as required. Such amendments shall be submitted in writing.

Research products and services received by us from custodians will be used to provide services to all our clients.

In some instance, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

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## ITEM 17 - VOTING YOUR SECURITIES

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LDIntelligence will not vote proxies on your behalf. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Clients are able to contact our office with questions about a particular proxy solicitation by phone at (480) 998-2995.

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## ITEM 18 - FINANCIAL INFORMATION

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This item is not applicable to this brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not

required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.