

# **Lau Associates LLC**

SEC File Number: 801 – 24354

## **Lau Associates LLC**

### **Brochure**

### **Dated 7/1/2019**

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**This brochure provides information about the qualifications and business practices of Lau Associates LLC (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (302) 792-5955 or [office@lauassociates.net](mailto:office@lauassociates.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Lau Associates LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Lau Associates LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2            Material Changes**

This brochure has been updated to reflect that effective July 3, 2019, the Registrant's Chief Compliance Officer is Stephen M. Wellman.

There have been no other material changes made to Lau Associates LLC's disclosure brochure since our last Annual Amendment filing on 3/26/2019. ANY QUESTIONS: The Registrant's Chief Compliance Officer, Stephen M. Wellman, remains available to address any questions that a client or prospective client may have pertaining to any of the below disclosures.

## **Item 3            Table of Contents**

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	6
Item 6	Performance-Based Fees and Side-by-Side Management .....	7
Item 7	Types of Clients.....	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9	Disciplinary Information .....	9
Item 10	Other Financial Industry Activities and Affiliations .....	9
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12	Brokerage Practices .....	11
Item 13	Review of Accounts.....	13
Item 14	Client Referrals and Other Compensation.....	14
Item 15	Custody.....	14
Item 16	Investment Discretion.....	14
Item 17	Voting Client Securities.....	15
Item 18	Financial Information .....	15

#### **Item 4            Advisory Business**

- A. Lau Associates LLC (the “Registrant”) was initially registered as an Investment Adviser Firm in 1985 under the name of Lau & Associates, Ltd. In 2002, the Registrant reorganized as LauOlmstead LLC. In 2005, the name was changed to Lau Associates LLC. The Registrant is owned by The Bryn Mawr Bank Corporation (“BMT”).

**B. FINANCIAL PLANNING AND INVESTMENT ADVISORY SERVICES**

The Registrant provides financial planning, consulting, and investment management services to individuals, trusts, estates, charitable organizations, and business entities. The Registrant offers its services for an annual fixed fee. Prior to engaging the Registrant to provide services, clients are generally required to enter into an Advisory Services Agreement (referred to herein as the “Agreement”) with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services.

The Registrant may review the following areas for clients when engaged to provide advisory services: the client's (i) financial needs; (ii) concerns and objectives; (iii) current tax situation and options; (iv) existing investments; (v) cash flow; (vi) exposure to risk; (vii) retirement resources; (viii) business interests; and (ix) current estate plan. Based on this information, the Registrant will make recommendations appropriate for the client. After the initial review and recommendations, the Registrant will provide supplemental reviews during the term of the Agreement and will update recommendations with the client on an ongoing basis.

In performing its services, the Registrant shall not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, or revising the Registrant's previous recommendations and/or services.

The Registrant intends to allocate its client's investment assets, on a discretionary basis and in accordance with the investment objectives of the client, primarily among mutual funds, with the remainder primarily allocated among individual equity securities and/or Independent Managers (as discussed below).

The Registrant will only implement its investment recommendations after the client has arranged for and furnished the Registrant with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions shall include, but are not limited to, Schwab, any other broker-dealer recommended by the Registrant, broker-dealer directed by the client, trust companies, banks, etc.

**TAX PREPARATION SERVICES**

To the extent requested by the client, the Registrant, or other affiliates of BMT, may determine to provide tax preparation services on a stand-alone separate fee basis. Registrant's tax preparation fee shall vary and shall be dependent upon the complexity of the tax return.

## **BILL-PAYING SERVICES**

The Registrant, or other affiliates of BMT, may provide bill-paying service to clients for a separate and additional fee than those set forth herein.

## **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Please Note: We do not serve as an attorney or insurance agency, and no portion of our services should be construed as same. Accordingly, we do not prepare estate planning documents or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.), including ourselves for tax preparation services (see above) or an affiliated licensed insurance agency (see disclosure at Item 10 below). You are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation that we make. Please Note: If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agents, etc.), and not the Registrant, shall be responsible for the quality and competency of the services provided.

**Use of eMoney services.** In conjunction with the services provided by eMoney, Registrant may also provide access to account aggregation services, which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets that we manage (the "Excluded Assets" – see below). The client and/or his/her/its other advisors that maintain trading authority, and not us, shall be exclusively responsible for the investment performance of the Excluded Assets. In addition, eMoney will also provide access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice or recommendations provided by Registrant. Registrant does not provide investment management, monitoring or implementation services for the Excluded Assets. The client may engage Registrant to provide investment management services for the Excluded Assets pursuant to the terms and conditions of the Advisory Services Agreement between Registrant and the client.

**Use of Mutual and Exchange Traded Funds:** Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Registrant's initial and ongoing investment advisory services. Please note that in addition to Registrant's investment advisory fee described below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, custodian ticket charges and charges imposed at the fund level (e.g. management fees and other fund expenses).

**Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is

available and rollovers are permitted, (iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, the Registrant serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. No client is under any obligation to rollover retirement plan assets to an account managed by the Registrant. Registrant’s Chief Compliance Officer, Stephen M. Wellman, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.

**Independent Managers.** The Registrant may allocate (and/or recommend that the client allocate) a portion of a client’s investment assets among unaffiliated independent investment managers in accordance with the client’s designated investment objective(s). In such situations, the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending the Independent Manager(s) include the client’s designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The fee charged by the Independent Manager(s) is separate and in addition to the Registrant’s advisory fee.

**Excluded Assets.** Registrant may also provide periodic reporting services which can incorporate all of the client’s investment assets, including those investment assets that are not part of the assets that the Registrant shall manage (the “Excluded Assets”). The client and/or the client’s other advisors that maintain trading authority, and not the Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets. Registrant’s service relative to the Excluded Assets is limited to reporting only, which does not include investment monitoring or implementation. The client may engage the Registrant to manage the Excluded Assets pursuant to the terms and conditions of the Agreement between the Registrant and the client.

**Fee Differentials.** As indicated below, the Registrant shall price its services based upon various objective and subjective factors. As a result, Registrant’s clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. The Registrant’s Chief Compliance Officer, Stephen M. Wellman, remains available to address any questions that a client or prospective client may have pertaining to the above.

**Charles Schwab.** As discussed below at Item 12, the Registrant recommends that Schwab serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting securities transactions. The fees charged by Schwab, as well as the charges imposed at the mutual fund, exchange traded fund, and independent manager level, are in addition to Registrant’s advisory fee referenced in Item 5 below.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant's will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant's determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Brochure.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the Agreement.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2018, the Registrant had approximately \$650,000,000 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

- A. The Registrant shall provide its services on a fee basis. If engaged, the Registrant shall charge an annual fixed fee. The annual fixed fee is determined based upon the complexity of the individual client's financial situation and the services to be provided by Registrant. (See Fee Differentials above). As discussed below, the Registrant's annual fee is exclusive of, and in addition to, transaction fees and other related costs and expenses which shall be incurred by the client. The Registrant shall not receive any portion of these transaction fees and costs. The Registrant may receive reimbursement for travel expenses including airfare, ground transportation and lodging, if agreed upon in advance. Expenses for travel to locations where meetings will be held with multiple clients will be allocated on a pro rata basis. The Registrant's annual fee shall be prorated and charged semi-annually, in advance.

**Fee Differentials.** As indicated above, Registrant shall price its services based upon various objective and subjective factors. As a result, Registrant's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning and/or consulting services to be rendered. The services to be provided by the Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. The Registrant's Chief Compliance Officer, Stephen M. Wellman, remains available to address any questions that a client or prospective client may have regarding Fee Differentials.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients semi-annually, in advance.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, and commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual advisory fee shall be paid semi-annually, in advance. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services.

The Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Agreement. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7           Types of Clients**

The Registrant's clients shall generally include individuals, business entities, trusts, estates and charitable organizations. The Registrant does not generally require an annual minimum fee or asset level for investment advisory services.

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

A. The Registrant may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on security price and trade volume, to forecast the direction of security prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of security prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis, the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.



In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend options transactions, a strategy that has a high level of inherent risk. (See discussion below).

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/“hedging” a potential market risk in a client’s portfolio. Please Note: Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Bank or Thrift Institution.** The Registrant is a wholly owned subsidiary of Bryn Mawr Bank Corporation (“BMT”), a federally chartered bank headquartered in Bryn Mawr, Pennsylvania. It is expected that the representatives of Registrant may refer Registrant’s clients to BMT for banking and related services, and BMT may refer its clients to Registrant for investment advisory services and financial planning and consulting services. The Registrant may also refer its clients who require trust services to its affiliate, The Bryn Mawr Trust Company of Delaware (“BMT Delaware”), also a wholly owned subsidiary of BMT. Neither BMT nor BMT Delaware provides investment advice on behalf of the Registrant, nor does either hold themselves out as providing advisory services on behalf of the Registrant. In the event that a client of the Registrant considers engaging either BMT or BMT Delaware as a result of Registrant’s introduction, a conflict of interest is presented because an affiliate of the Registrant will derive an economic benefit from such engagement(s). The Registrant’s Chief Compliance Officer, Stephen M. Wellman, remains available to address any questions that a client or prospective client

may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.

- D. **Insurance Sales.** As indicated above at Item 4, neither the Registrant, nor any of its representatives, serves as an attorney or licensed insurance agent, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

The Registrant does not sell any commission-based products, including insurance products. However, BMT affiliates are insurance licensed and may offer for sale insurance products on a commission basis. If, in conjunction with the Registrant's financial planning process, it is determined that a client may require an insurance product, and the client does not have a pre-existing relationship with an insurance professional, the Registrant, if requested to do so, shall recommend insurance professionals for the client's consideration, which may, but will not always, include the BMT's insurance affiliates. In the event that a client of the Registrant considers purchasing an insurance product from a BMT affiliate as a result of Registrant's introduction, a conflict of interest is presented because an affiliate of BMT (and the Registrant) will derive an economic benefit from such engagement(s). However, in no event, shall the Registrant, nor any of the Registrant's employees, receive any portion of the commission compensation received by the BMT affiliate. The Registrant's Chief Compliance Officer, Stephen M. Wellman, remains available to address any questions that a client or prospective client may have regarding the above arrangement and potential corresponding conflict of interest presented by such arrangement.

- E. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- C. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.B, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Schwab. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to affect the same transaction where

the Registrant determines, in good faith, that the commission/transaction fee is reasonable. 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 the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best price execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant can receive from Schwab (or another broker-dealer/custodian, investment platform provider, vendor, or independent manager) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

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

The Registrant's Chief Compliance Officer, Stephen M. Wellman, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflicts of interest presented by such arrangements.

2. The Registrant does not receive referrals from broker-dealers.
3. Registrant recommends that its clients utilize the brokerage and custodial services provided by Schwab. Registrant does not generally (but may) accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers

or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. Please Also Note: Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13      Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

As indicated at Item 12 above, the Registrant can receive from Schwab without cost (and/or at a discount), support services and/or products. Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab, or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. The Registrant's Chief Compliance Officer, Stephen M. Wellman, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangement.

The Registrant does not compensate unaffiliated individuals or entities for prospective client introductions.

## **Item 15            Custody**

The Registrant shall have the ability to deduct its advisory fee from the client's custodial account on a quarterly basis. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian, at least quarterly. Please Note: To the extent the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

Other Services. The Registrant engages in other practices and/or services on behalf of its clients that require disclosure at the Custody section of Part 1 of Form ADV, which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. The Registrant's Chief Compliance Officer, Stephen M. Wellman, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

## **Item 16            Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an Agreement, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, in writing, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to

purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

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

Unless otherwise provided in writing, the Registrant, in conjunction with ProxyEdge, an unaffiliated proxy voting service provider, shall be responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted.

However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the Assets, including, but not limited to, class action lawsuits.

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

- A. The Registrant does not solicit fees of more than \$1200 per client six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Stephen M. Wellman, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**