

**Wrap Fee Brochure  
Part 2A of Form ADV, Appendix 1**



EST<sup>d</sup> 1980

LEF A V I

W E A L T H M A N A G E M E N T

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This Wrap Fee Program brochure provides information about the qualifications and business practices of Lefavi Wealth Management (“LWM” or “Adviser” or “we”) and its “Wrap Fee” program. LWM is an investment adviser registered with the Securities and Exchange Commission. Registration as an investment adviser does not imply any level of skill, training, aptitude or qualification. Nevertheless, this document, coupled or use of the term “registered” with any conversations that you have with Lefavi Wealth Management, will provide you with information about which you can determine to hire or retain Lefavi Wealth Management.

If you have any questions about the contents of this brochure, please contact us at: (800) 998-2427, or by email at: [compliance@lefavi.com](mailto:compliance@lefavi.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Additional information about the Adviser is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Clients are encouraged to review this Brochure and Brochure Supplements for our firm’s associates who advise clients for more information and the qualifications of our firm and our employees.

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Effective Date of Brochure: April 1, 2020



## Material Changes – Item 2

There are no material changes since this is the first Wrap Fee Brochure of the Firm.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure including this Appendix 1, please contact us by telephone at: (800) 998-2427 or by email at: [compliance@lefavi.com](mailto:compliance@lefavi.com).



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## Advisory Fees and Compensation – Item 4

### Firm Description

Lefavi Wealth Management, Inc., (“the Adviser” and “LWM”) was founded in 1980 and is an SEC registered investment adviser. The Adviser generally provides investment management services and financial planning services to separately managed accounts of clients. Most clients are high net worth individuals but may also include businesses, charitable entities, and retirement/pension accounts.

The Adviser does not act as a custodian of client assets and the client maintains asset control. Assets are held in custody at either a clearing firm, a mutual fund company or its transfer agent, at the issuer (for non-certificated, privately placed securities) or some other duly authorized custodian, as discussed further below. The Adviser places trades for clients under discretionary authority granted by the client in the Advisory contract.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Any conflicts of interest arising out of the Adviser’s or its associated persons are disclosed in this brochure, as well as the Firm’s general advisory brochure, ADV Part 2A, of which this Wrap Fee Brochure is Appendix 1.

The Lefavi Wrap Fee Program allows clients to pay a single fee for investment advisory services and associated custodial transaction costs. Note, however, that participation in the program could mean the client may ultimately pay more or less than the client would pay through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to the client by the executing broker. LWM, when recommending its wrap fee program to investors, often suggests using Charles Schwab & Co. (“Schwab”) as custodian for assets and executing broker. Schwab’s services are discussed *infra*.

### Principal Owners

Bruce A. Lefavi owns 85% of the Adviser.

Stuart B. Enterline owns 15% of the Adviser.

### Types of Advisory Services

The Adviser provides investment supervisory services, manages investment advisory accounts not involving investment supervisory services, and furnishes investment advice to clients. LWM meets with each client to discuss the client’s current financial condition and review the client’s current investment holdings. We determine an appropriate asset allocation for the client’s portfolio, and make recommendations based on this. LWM reviews various criteria before making recommendations. Without limitation, these criteria include time horizon, risk tolerance, financial objectives, liquidity needs and resources available. The Adviser may also furnish advice to clients on matters not involving securities, such as financial planning matters generally, retirement planning,



educational planning, charitable giving, long-term care insurance, taxation issues, and trust services that often include estate planning as arranged through 3<sup>rd</sup> party Certified Public Accountants or attorneys.

As of December 31, 2018, the Adviser manages approximately \$302,880,884 in assets for approximately 693 clients. As of the effective date of this Brochure, all assets are managed on a discretionary basis, and none are managed on a non-discretionary basis.

## Asset Management

Client investments in the wrap fee program may include: equities (stocks), warrants, corporate debt securities, municipal securities, investment company securities (e.g., mutual funds shares and Exchange Traded Funds), variable and fixed insurance products, U.S. Government securities, interests in limited partnerships, and private placements. Non-traded and other alternative investments may be utilized in portfolios, where appropriate, to provide clients with assets that are non-correlated to the stock market. Assets are invested primarily in advisory share class mutual funds and exchange-traded funds through our affiliated broker-dealer and our unaffiliated custodian, or, occasionally, directly through the fund companies.

**Initial public offerings (IPOs) are not available through the Adviser.**

## Insurance Services

The Adviser offers insurance products through insurance companies with which our affiliated broker-dealer has established a relationship as agent. Insurance products include both fixed and variable annuities, life insurance, and long-term care insurance. These products are purchased net of commission. This means that our affiliated broker-dealer does not earn a commission or any income from the purchase. If a previously purchased product earned our affiliated broker-dealer, Bruce A. Lefavi Securities Inc. ("BALS"), a trailing commission, the assets that generate that commission are not charged an asset management fee. The Adviser does not make any representation that these products are available at the lowest cost and similar products are available from other providers. The client is under no obligation to purchase insurance products from the Adviser or our affiliated broker-dealer.

## Types of Agreements

### Investment Management Agreement

As part of the investment management service (i) the material aspects of the client's financial affairs are reviewed, (ii) realistic goals are set ; (iii) objectives to reach those goals are determined; and (iv) a fee arrangement executed (see "Investment Management Fees and Compensation" below). Following modern portfolio theory, the Adviser creates asset allocation models for its clients. An Advisory representative will recommend changes as the Adviser deems appropriate.



The Adviser periodically reviews a client's financial situation and portfolio through regular contact with the client, which includes an annual meeting. Adviser periodically updates the asset-allocation models and reviews the allocations in client portfolio. The Adviser will review and rebalance the portfolio as necessary, but no less than annually. The Adviser agreement sets both service and fees. The agreement may be terminated by either party at any time. If the adviser terminates an agreement, the client will be given thirty days written notice.

### Tailored Relationships

The goals and objectives for each client are documented as part of the client's file. Clients may impose restrictions on investing in certain securities or types of securities that are detailed in the client's Investment Management Agreement.

### Assignment of Investment Management Agreements

Agreements may not be assigned without client consent.

### Termination of Agreements

A client may terminate any LWM adviser agreement at any time by notifying the Adviser or Adviser Representative. Clients are charged *pro rata* for services provided through the date of the termination notice and any applicable administrative fees. If the client made an advance payment, the Adviser will refund any unearned portion of the advance payment.

The Adviser reserves the right to terminate any engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the Adviser's judgment, to provide proper financial advice. The Adviser will provide thirty days written notice in the event that an engagement is terminated.

### Investment Management Fees and Compensation

For those clients who contract with the Advisor for Investment Management Services, the Advisor will charge a standard investment management fee of one percent (1%), factored against the value of assets under management in a client's account. A description of LWM's fees is part of the Advisory Agreement. Fees may be negotiated by the client, but in no case will exceed 1% of the value of assets under management. Fee calculations are made on the last business day of the calendar quarter by factoring the 1% fee against the value of the assets in the investment account and dividing the product of the calculation by 4. For accounts opened during the quarter, the fee will be prorated for that quarter according to the number of calendar days the account was under management. For clients terminating accounts before the end of a quarter, the portfolio value will be determined at the end of the prior full billing quarter, prorated by the number of days the account was managed during the quarter. Where mandated, fees prepaid will be refunded to the client.



The Advisor and its affiliate, BALS, do not charge a commission for executing trades or for customary transaction costs like clearing firm ticket charges, postage and holding fees, exchange fees and other fees generated by executing trades in advisory accounts by BALS. Other fees the client can incur and which are not otherwise paid by the firm, include SEC charges which are reimbursed to the client's advisory account on a monthly basis or as a credit against the asset management fee. This creates a Wrap Fee Program for the client – one fee is charged for investment advice as well as execution services.

Clients who have previously paid commissions to BALS as part of executing transactions recommended by the Advisor do not incur an investment management fee for those products. In cases where a client's account contains products on which a commission was paid to BALS, the Advisor will not include the commissioned product value when computing the quarterly fee for assets under management.

In no instance will a client pay both a management fee to the Advisor as well as a commission paid to BALS for product execution. Clients should understand, however, that the fee waiver by the Advisor applies solely to products executed through the Advisor's affiliate, BALS. When a client has chosen a broker-dealer other than BALS to purchase or sell products, the Advisor will continue to charge its 1% fee as calculated above on all assets, including those assets not purchased at BALS.

The Wrap Fee Program may cost the client more or less than purchasing such services separately, i.e. adviser services and transaction services. Factors entering whether the Wrap Fee Program is best for the client include frequency of trading, separate transaction costs, client preferences regarding execution, and other items unique to an individual's needs and situation.

## Fee Billing

Investment management fees are billed quarterly, in advance. This means LWM invoices clients at the beginning of each billing period. Payment in full is expected upon invoice presentation. Fees are normally deducted from the client account to facilitate billing as authorized by the investment management agreement. Clients agree to provide authorization to the account custodian permitting the firm to be directly paid from the client's account. However, clients may also pay by check or credit card if they prefer to opt for one of these arrangements.

Fees for financial plans are initially billed at half of an agreed upon flat fee in order to commence work, and, upon delivery of the financial plan, an invoice for the balance is presented. If hourly rates are charged, the Advisor and client may otherwise agree on the method of payment.

## Other Compensation

### Affiliated Broker-Dealer

It is our business practice to avoid purchasing products which pay a commission to our affiliated broker-dealer. However, BALS may



erroneously receive overrides, reallowances, or trailing fees in conjunction with selling insurance products or alternative investments to advisory clients. Any compensation received in this manner will be returned to the issuer or paid to the advisory client. If BALS earned a commission on past investments clients will not pay a management fee on that investment.

Clients are always free to purchase products from another, unaffiliated, broker-dealer.

### Other Fees

Clients will likely incur fees and/or other charges from non LWM affiliated brokerage firms, custodians, administrators and other service providers not included in the management fee charged by LWM. These fees are charged by the service provider, not LWM, BALS, or Schwab. The amount and nature of these fees is based on the service provider's fee schedule(s) at the provider's sole discretion. These fees are separate and distinct from any fees charged by the Adviser or our affiliated broker-dealer.

Mutual and index funds, exchange traded funds, variable annuity products and other managed products or partnerships are often investments in clients' portfolios. Clients may be charged for services performed by the providers/managers of these products in addition to the management fee paid to the Adviser. The Adviser, BALS and Schwab do not receive any compensation from these charges. The fees and expenses charged by the product providers are separate and distinct from the management fee charged by the Adviser.

The costs not included in the advisory fee for our wrap fee services are charges imposed directly by a mutual fund, index fund, or exchange traded fund which are disclosed in the fund's prospectus, i.e. fund management fees and other expenses. These include fees for trades executed away from the custodian, markup/markdown charges, spreads paid to market makers, wire transfer fees, other fees and taxes on brokerage accounts and securities transactions, IRA fees (including fees for set up and maintenance) and regulatory surcharges among other charges.

If a client's portfolio contains corporate debt or other types of over-the-counter securities, the client may also pay a mark-up or mark-down to the broker or dealer on the other side of the transaction. The mark-up or mark-down is included in the purchase price of the security and is not received by BALS, LWM, or Schwab.



Clients can invest in these products directly, without the services of the Adviser. Accordingly, the client should review both the fees charged by the funds and the applicable program fee charged by the Adviser to understand the total amount of fees and costs to be paid by the client and to evaluate the Advisory services provided. These charges are generally outlined in the prospectus of products selected like mutual funds or offering memoranda of other investments.

### Conflicts of Interest - General

Advisers receive compensation via part of the fee paid for advisory services. This may be more than what an adviser representative would receive if the client participated in other programs the Adviser offers or in a traditional brokerage account charging transaction based commissions. This incentivizes the adviser representative to recommend the Wrap Fee Program. The advisor, therefore, sometimes has a conflict of interest when recommending LWM's Wrap Fee Program rather than any other method of investment management or advisor or other service, for example, a standard brokerage account. The client should carefully consider the client's options when deciding whether to participate in this Wrap Fee Program. The client is free at all times to decide the investment program best for the client.

### Conflicts of Interest – Wrap Fee Recommendations

Our firm may receive more compensation from the client's participation in our wrap fee program through BALS or Schwab than if the client purchased our investment advisory services and execution services from an independent broker separately. For example, Schwab makes products and services available to us (see "Other Products and Services Available to Us from Schwab"). Consequently, we have an incentive to recommend that a client participate in our wrap fee program and open account(s) with Schwab. This incentive is based on our own interest in receiving products and services from Schwab rather than based on the client's interest in having the most appropriate fee arrangement for our investment advisory services and the best value in custody services and the most favorable execution of client transactions. We believe, however, that our recommendations in our wrap fee program, including the use of Schwab as custodian and broker, is in the best interests of those clients to whom we recommend it based on (a) an assessment of their investment plans and anticipated trading activity in their accounts and all other relevant factors; and (b) the scope, quality and price of Schwab's services and not based on Schwab's payment for third part services that benefit only us.



## Conflicts of Interest – Disincentive to Trade when Using Schwab

Since LWM will pay Schwab certain transaction/execution costs associated with equities transactions for client, a potential disincentive to trade securities can exist which is a conflict of interest which benefits LWM and disadvantages the advisory client in when participating in LWM's wrap fee program.

## Account Requirements and Types of Clients – Item 5

The Adviser generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, or business entities. Client relationships vary in scope and length of service. There is an account minimum of \$250,000 and a minimum annual fee of \$400.00. Both account minimums and minimum annual fees may be waived by the Firm in its discretion. For example, without limitation, the Adviser may waive investment fees and commissions for employees and their families or families of existing clients.

Clients can place reasonable restrictions on the type of investments held in client's investment portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this entails in managing the account.

## Portfolio Manager Selection and Evaluation – Item 6

### Related Persons Acting As Portfolio Managers

The Adviser manages accounts in the Wrap Fee Program through adviser representatives. Unless the client requests a recommendation regarding portfolio managers independent of the Adviser, all management will be performed by Adviser representatives.

Standards used to calculate and compare performance of client portfolios are selected based on industry standards and benchmarks appropriate to the client portfolio. The firm conducts a review of performance generally annually with the client, preferably in a face-to-face meeting. There are no outside "third party" reviews. Performance information is not reviewed for additional verification of accuracy or compliance with presentation standards. The firm generally uses both fundamental and technical analysis in managing customer accounts, as well as asset allocation models which are a part of modern portfolio theory. Investments are in the main mutual funds, exchange-traded funds and individual securities.

As indicated at other sections of the Wrap Fee Brochure, related persons of the Adviser manage client portfolios. This presents a conflict of interest for the adviser representatives and the Adviser because in certain instances participation in the Wrap Fee Program results in greater compensation to the adviser representative and Adviser. In these cases the adviser representative and Adviser are incentivized to recommend the Wrap Fee Program rather than any other service offered the client like a standard brokerage account. The Adviser addresses this



conflict by analyzing the type of program best suited for the client and disclosing the likely costs of different services. Clients are free to decide the type of program they desire. All adviser representatives and their performance are reviewed in the same manner by the Adviser.

## Client Information Provided to Portfolio Manager – Item 7

Client information is from time-to-time provided to Portfolio Managers as requested. This is done only in compliance with LWM's Privacy Policy. Below is a summary of the Adviser's Privacy Policy regarding client personal information. A complete version of the Privacy Policy is provided to clients along with the client Advisory agreement and may be obtained by contacting the Compliance Officer of the Adviser.

- a) The Adviser Collects non-public personal information about its clients from the following sources:
  - Information received from clients on applications or other forms
  - Information about clients' transactions with the Adviser, its affiliates and others
  - Information received from our correspondent clearing broker with respect to client accounts
  - Medical information submitted as part of an insurance application for a traditional life or variable life policy
  - Information received from service bureaus or other third parties
- b) The Adviser will not share such information with any affiliated or nonaffiliated third party except:
  - When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians
  - When required to maintain or service a customer account
  - To resolve customer disputes or inquiries
  - With persons acting in a fiduciary or representative capacity on behalf of the customer
  - With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm
  - In connection with a sale or merger of the Adviser's business
  - To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability
  - To comply with federal, state or local laws, rules and other applicable legal requirements
  - In connection with a written agreement to provide investment management or Advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement
  - In any circumstances with the customer's instruction or consent.



- c) The Adviser restricts access to confidential client information to individuals who are authorized to have access to confidential client information and need to know that information to provide services to clients.
- d) The Adviser maintains physical, electronic and procedural security measures that comply with applicable state and federal regulations to safeguard confidential client information.

## Client Contact with Portfolio Managers – Item 8

There are no restrictions on clients' ability to contact and consult with portfolio managers.

## Additional Information – Item 9

### Disciplinary Disclosures of Related Person and the Adviser

**LWM** has one disclosed event.

In 2019, LWM entered into a settlement related to proceedings arising from breaches of fiduciary duty and disclosure failures in connection with its recommendation and investment of client assets in non-traded real estate investment trusts, business development companies, and private placements, from June 2014 through December 2016. LWM was censured and ordered to pay a civil monetary penalty of \$150,000 and disgorgement of \$994,296.10.

**Bruce Lefavi** has three disclosed events.

In 2012, a client alleged funds were lost due to not being invested. The complaint was settled later in 2012.

In 2014, the Financial Industry Regulatory Agency (FINRA) found that Bruce Lefavi and our affiliated broker-dealer, BALS, violated advertising rules and sold unregistered securities. The matter was settled in 2014, FINRA imposed a fine of \$75,000, paid jointly and severally by our BALS and Bruce Lefavi, and a ten (10) day suspension of Bruce Lefavi in the capacity of a principal. He remained a financial advisor and a Registered Representative during the suspension.

In 2014, a client alleged that Bruce Lefavi sold them an unsuitable investment in illiquid products. BALS settled the complaint.

**BALS** has two disclosed events.

In 2014, the Financial Industry Regulatory Agency (FINRA) found that our affiliated broker-dealer, along with Bruce Lefavi, violated advertising rules and sold unregistered securities. See above. The broker-dealer was fined jointly and severally for \$75,000.



In 2017, BALS was censured and fined \$25,000 for violations of content standards of FINRA rule 2210, since certain communications failed to identify risks associated with REITs and BDCs, omitted material facts, contained inaccurate descriptions; and violated FINRA rule 3110(B) requiring a reasonable supervisory system and written supervisory procedures concerning fee-based accounts.

## Brokerage Affiliations

The Adviser is affiliated by common ownership with BALS. Registered representatives of BALS are also investment advisor representatives of the Investment Advisor, LWM. When effecting brokerage transactions through BALS, dually registered personnel, serving generally as both Investment Adviser Representatives and Registered Representatives, are permitted to exercise discretionary authority on behalf of clients in the capacity of Investment Adviser Representatives. Although trading activity is sometimes routed through BALS, advisory clients are not charged pass-through fees, such as postage and handling or ticket charges. BALS does not earn a commission on these transactions. If BALS receives compensation generated by holdings in an advisory account, these will be reimbursed to the client either directly as a cash credit, or in the form of a credit toward the next quarterly advisory fee.

The Adviser discloses that brokerage services provided by BALS and Schwab, acting as broker, are sometimes not the lowest cost available and clients may be able to obtain those services and/or products at a more favorable rate from other brokerage firms. Clients of the Adviser are not required to use the brokerage services offered by BALS or Schwab even though LWM makes the recommendations regarding investments.

## Code of Ethics

The LWM Code of Ethics establishes standards of conduct for its supervised persons. It includes general requirements that supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to report their personal securities transactions and holdings to the Adviser's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Adviser's Compliance Officer. Each supervised person of the Adviser receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during that year. Clients and prospective clients may obtain a copy of the Adviser's Code of Ethics by contacting the Compliance Officer of the Adviser.



## Participation or Interest in Client Transactions

Under the Adviser's Code of Ethics, the Adviser and its managers, members, officers and employees may invest personally in securities of the same classes as are purchased for clients and may own securities of the issuers whose securities are subsequently purchased for clients. If an issue is purchased or sold for clients and any of the Adviser managers, members, officers and employees on the same day purchase or sell the same security, either the clients and the Adviser managers, members, officers or employees shall receive or pay the same price or the clients shall receive a more favorable price. The Adviser and its managers, members, officers and employees may also buy or sell specific securities for their own accounts based on personal investment considerations, which the Adviser does not deem appropriate to buy or sell for clients.

## Personal Trading

The Chief Compliance Officer of the Adviser reviews all employee trades (except for her own trading activity, which is reviewed by another principal). The personal trading reviews are conducted to consider and avoid situations where the personal trading of employees would affect markets or otherwise receive preferential pricing vis-à-vis the clients.

## Periodic Reviews

Account reviews are performed no less than annually by the Investment Adviser Representatives. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client. The Chief Compliance Officer samples client accounts periodically to review activity in the account and investment suitability.

### Review Triggers

Accounts are reviewed no less than annually or more frequently when market conditions dictate. Other conditions that may trigger a review are changes in the tax laws, new investment information, significant market movements and changes in a client's financial or personal situation.

## Regular Reports

Adviser provides a quarterly statement to the client summarizing the value of the client's portfolio. In addition, the Adviser will provide an investment report to the client when the client attends an annual review. This report details the performance of the portfolio and the holdings in the entire portfolio. This report is used as the basis to make any needed changes to the client's portfolio. Clients receive statements of account positions no less than quarterly from the account custodian. Client should use the statement from the custodian as the official statement of the account's position and value and compare that



statement with other statements and reports provided by the Adviser. If discrepancies exist, client should notify the Adviser.

### Incoming Client Referrals

The Adviser receives client referrals which may come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. Adviser does not compensate referring parties for referrals or accept referral fees or any compensation when a prospect is referred to a third party.

### Additional Disclosure of Conflicts of Interest and Information Regarding Schwab Payments Made & Received

As indicated elsewhere in this brochure, BALS at times receives certain transaction-based compensation whether at point of sale or through trailing compensation paid by sponsors of various products like mutual funds. Receipt of such compensation creates a conflict of interest since individual adviser representatives are incentivized or may be incentivized to make recommendations which favor products paying such compensation.

For example, without limitation, where a mutual fund pays trailing 12b-1 compensation for products, the purchase of such fund may increase client costs or reduce client returns on such investments. The advisor representative acting as a registered representative of BALS is incentivized to recommend such products based in part on compensation received.

In addition to compensating our firm for portfolio management, and other services to clients, the wrap fees clients' pay our firm also allows us to pay Schwab for the brokerage services it provides clients. The fees our firm pays Schwab consist primarily of asset-based fees assessed on the total assets (including stocks, bonds, mutual funds, and cash) in all our clients' wrap fee program accounts maintained at Schwab.

In addition to the asset-based fee described above, our firm pays Schwab certain other fees that it would otherwise charge to clients. These fees may include (a) flat dollar per trade fees for Schwab's prime brokerage and trade away services (through which our firm can have trades for client accounts at Schwab executed by broker-dealers other than Schwab), (b) transaction-based fees imposed on Schwab by regulatory organizations and exchanges and fees to offset processing costs incurred by Schwab for the exchange of securities for equity, options or other covered security sell transaction, and (c) short-term redemption fees on no-transaction-fee mutual funds (including, but not limited to, those available through Schwab's Mutual Fund OneSource<sup>®</sup>).

### Products & Services Available from Schwab

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's division serving independent investment advisory firms like our firm. They provide our firm and clients with access to its institutional brokerage — trading, custody, reporting and related



services — many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help manage or administer our client accounts while others help manage and grow our business. Schwab's support services are generally available on an unsolicited basis (our firm does not have to request them) and at no charge. The availability to us of Schwab products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. A more detailed description of Schwab's support services follows:

### Services that Benefit Clients

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client asset so Schwab may also aid in the payment of fees associated with the custodial transfer. The investment products available through Schwab include some to which our firm might not otherwise have access to or that would require a significantly higher minimum initial investment by firm clients. Schwab's services described in this paragraph generally benefit clients and their accounts.

### Services that May Not Directly Benefit Clients

Schwab also makes available other products and services benefiting our firm but may not directly benefit clients or their accounts. These products and services assist in managing and administering our client accounts. They include investment research, both Schwab's and that of third parties. This research may 'be used to service all or some substantial number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

### Services that Generally Benefit Only Our Firm

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

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

Schwab may provide some of these services itself. In other cases Schwab will arrange for third- party vendors to provide the services to our firm. Schwab may also discount or



waive fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide our firm with other benefits such as occasional business entertainment for our personnel.

Irrespective of direct or indirect benefits to our client through Schwab, our firm strives to enhance the client experience, help clients reach their goals and put client interests before that of our firm or associated persons.

### Our Interest in Schwab's Services

The availability of these services from Schwab benefits our firm because our firm does not have to produce or purchase them. Our firm does not have to pay for Schwab's services. These services are not contingent upon our firm committing any specific amount of business to Schwab in trading commissions or assets in custody. This arrangement may serve as an incentive to recommend clients maintain their account with Schwab based on our interest in receiving Schwab's services benefiting our business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. Our firm believes, however, that the selection of Schwab as customer and broker is in the best interest of our clients. It is primarily supported by the scope and price of Schwab's services and not Schwab's services that benefit only our firm.

The Adviser seeks to remedy any conflicts of interest resulting from the above in the following way. First, the Adviser has for the most part eliminated and will not select mutual funds which pay trailing compensation where other choices are available, like adviser funds, which offer reasonably comparative features. If such advisor funds are not available, the Adviser will credit the client against any advisor fee charging 12b-1 compensation received by BALS, for example.

Secondly, the Adviser will not include in its calculation of the adviser fee the value of assets and advisory clients which generated a commission for BALS. Only those products for which BALS did not receive a commission will be included in the assets under management collection.

Finally, clients can decide not to accept investment recommendations which include compensation described above. The client may choose to execute transactions through a broker-dealer other than BALS or Schwab which also eliminates compensation conflicts of interest.

### Brokerage Selection

As discussed above, clients are free to choose any broker-dealer through whom they wish to execute transactions recommended by the Advisor, not just BALS or Schwab. The client is also free to designate a custodian for their account other than Schwab. If the client



chooses not to designate a specific broker-dealer to execute transactions, or to custody assets, the Advisor will execute transactions through its affiliated broker-dealer, BALS or Schwab, and generally chooses Schwab for client accounts.

The Advisor, when recommending BALS, Schwab, or any other broker-dealer or custodian, will seek to achieve best execution of transactions. Best execution requires the Advisor determine the most efficient, reasonable service for trade execution at the reasonably best price. In making this determination, the Advisor will not select competitive bids, nor achieve the absolutely lowest available commission cost, but will use reasonable diligence to achieve the most advantageous order execution for customers given prevailing market conditions.

### Soft Dollars

Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; etc. If Adviser seeks executions outside of the correspondent clearing relationship of its affiliated broker-dealer, it strives for the best price and execution for costs and discounts which are competitive in relation to the value of the transaction and which comply with Section 28(e) of the Securities Exchange Act of 1934, as amended. The Adviser uses a broker-dealer other than its affiliated broker-dealer's clearing firm it takes into account the financial stability and reputation of firms and services provided by such brokers. The client may not, in any particular instance, be the sole direct or indirect beneficiary of services provided. The Adviser is under no obligation to transact business with any particular broker dealer including BALS.

### Order Aggregation

LWM does not aggregate trades.

### Directing Brokerage for Client Referrals

The Adviser does not direct brokerage for client referrals.

### Directed Brokerage

The Adviser generally does not allow clients to direct brokerage.

### Custody Policy

The Adviser does not accept or permit itself or its employees to obtain custody of client assets including cash or securities, or act as trustee, provide bill paying service, have password access to account or have any other form of control over client assets. All checks or wire transfers to fund client accounts are required to be made out to/sent to the account custodian.



## Account Statements

All assets are held at qualified custodians and the custodians provide account statements not less frequently than quarterly to clients at their address of record. Clients should carefully review such statements for any discrepancies or inaccuracies.

## Performance Reports

Pursuant to amendments to Rule 206(4) under the Investment Advisers Act of 1940, the Securities and Exchange Commission requires advisers to urge clients to compare the information set forth in their statement from the Adviser, if the Adviser sends separate statements/reports, with the statements received directly from the custodian to ensure accuracy of all account transactions.

## Investment Discretion

Discretionary authority is granted either by the Adviser's investment management agreement and/or by a separate limited power of attorney where such document is required. The Adviser has the authority to choose, without obtaining specific client consent, investments for a client account. A firm's discretionary authority regarding investments may however be subject to certain limitations. These limitations are recognized as the restrictions and prohibitions placed by the client. All such restrictions must be agreed in writing.

If the Adviser is not granted discretionary authority, all transactions require approval by the client prior to execution.

## Voting Client Securities

LWM will vote all proxies received on behalf of clients for securities and investments held in the Client's portfolio in custody with Charles Schwab, provided client has authorized LWM to do so and LWM has discretionary authority to buy or sell the security on behalf of the client. In order to be eligible for voting, the cumulative market value of the security held in all LWM Client Accounts must be greater than \$150,000. For ERISA accounts, LWM will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. For those clients who have retained the right to vote their own proxies and for clients of our affiliated broker-dealer, LWM will send any proxy voting information as received to the client's address of record.

Lefavi shall vote proxies related to securities held by any client in a manner solely in the best interests of the client. Lefavi shall consider only those factors that relate to the client's investment, including how its vote will economically impact and affect the value of the client's investment. Proxy votes will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, and maintain or increase the rights of shareholders. Proxy votes will be cast against proposals having the opposite effect. Unless exceptional circumstances exist, Lefavi will



vote against proposals that make it more difficult to replace Board members. In voting on each and every issue, Lefavi shall vote in a prudent and diligent fashion and only after a careful evaluation of the issue presented on the ballot.

### Proxy Voting Guidelines

Prior to electing to follow any specific guidelines, Lefavi will:

- Determine the impact of following such guidelines on all clients, including whether the guidelines would be more appropriate for one group of clients and not for others;
- Identify any direct or indirect benefits that might flow to Lefavi as a result of choosing one guideline over other guidelines;
- Address any conflicts of interest raised by the selection of such guidelines by following the Proxy Voting Conflicts of Interest section of these Procedures; and
- Refrain from using such guidelines if it provides an advantage to one group of clients while disadvantaging or otherwise not being in the best interest of any of the remaining clients.

### Proxy Voting Conflicts of Interest

Lefavi recognizes that conflicts between itself and clients may arise in voting the proxies of public companies and that these conflicts must be addressed. Where appropriate, Lefavi will provide the client with sufficient information regarding the shareholder vote and Lefavi's potential conflict to the client and obtain the client's consent before voting or abstain from voting conflicted shares if no consent or written instructions are received.

### Proxy Voting Disclosure

On an annual basis, Lefavi Wealth Management will send clients a copy of our Proxy Voting policies and procedures disclosure. Clients may request a complete version of our policies and procedures regarding proxy voting and they may obtain a record of how their proxies were voted by contacting Compliance at 801-486-9000, 800-998-2427, or by email at [Compliance@lefavi.com](mailto:Compliance@lefavi.com).

## Financial Information

The Adviser does not have any financial impairment that precludes it from meeting contractual commitments to clients. The Adviser has not been the subject of a bankruptcy petition in the last 10 years.

The Adviser is not required to provide a balance sheet as it does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

### Investment Risks

When investing through LWM, clients should understand that there are various investment risks which they will encounter. Some of these include:



**Market Volatility:** The profitability of a client's Account depends in part on the Adviser correctly assessing the future price movements of stocks, bonds, and other securities and the movements of interest rates. The Adviser cannot guarantee that it will be successful in predicting price and interest rate movements.

**LWM's Investment Activities:** The Adviser's investment activities involve a degree of risk of loss. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Adviser. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The securities markets may be volatile, which may adversely affect the ability of the Adviser to realize profits.

**Material Non-Public Information:** The Adviser and/or its affiliates and their respective personnel may acquire confidential or material non-public information which will restrict the Advisor and BALS from initiating transactions in certain securities. The Adviser may be unable to initiate a transaction because of these restrictions.

**Accuracy of Public Information:** The Adviser selects investments, in part, by relying on information and data filed by issuers with various government regulators or made directly available to the Adviser by the issuers or through sources other than the issuers. Although the Adviser evaluates all such information and data and seeks independent corroboration when it is considered appropriate and reasonably available, the Adviser is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

**Investments in Undervalued Securities.** The Adviser may invest in undervalued securities. The identification of investment opportunities in such "value" investing is a difficult task, and there are no assurances that such opportunities will occur. While investments in undervalued securities may offer the opportunities for capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Adviser's investments may not adequately compensate for the business and financial risks assumed.

**Small Companies.** The Adviser may invest a portion of its assets in small and/or unseasoned companies with small market capitalization. Although smaller companies may have potential for more rapid growth than large companies, those investments involve higher risks. Smaller companies may lack the management experience, financial resources, capital, liquidity, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of trading in those shares may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations, volatility and illiquidity.

**Leverage:** When deemed appropriate by the Adviser and subject to applicable regulations, the Adviser may employ leverage in its investment program, whether directly



through the use of borrowed funds, or indirectly through investment in certain types of financial instruments with inherent leverage. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss.

**Market or Interest Rate Risk:** The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the price of fixed income securities generally falls. If the Adviser holds a fixed income security to maturity, the change in its price before maturity may have little impact on the Adviser's performance (assuming no default/insolvency); however, if the Adviser has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss.

**Fixed Income Call Option Risk:** Many bonds, including agency, corporate and municipal bonds, as well as mortgage-backed securities, contain a provision that allows the issuer to "call" all or part of the issue before the bond's maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Adviser's clients are exposed to reinvestment rate risk – the Adviser will have to reinvest the proceeds received when the bond is called at lower interest rates. In such incidents, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

**Inflation Risk:** Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Adviser purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined by 1%. For all but inflation-linked bonds, adjustable bonds or floating rate bonds, the Adviser is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security.

**Limited Liquidity of Interests:** An investment in a partnership usually involves substantial restrictions on liquidity and its interests are not freely transferable. There is no market for these interests and no market is expected to develop. Additionally, transfers are usually subject to the consent of the general partner at the general partner's sole discretion. Investors in these types of investments may be unable to liquidate them in response to client needs.

**Lack of Registration:** Private Funds or many Limited Partnership interests have neither been registered under the Securities Act nor under the securities or "blue sky" laws of any state and, therefore, are subject to transfer restrictions under The Securities Laws.

**Withdrawal of Capital:** The ability to withdraw funds from private funds or Limited Partnership interests is usually restricted in accordance with the withdrawal provisions



contained in an Offering Memorandum. In addition, substantial withdrawals by investors within a short period of time could require a fund to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the fund's assets and/or disrupting the fund's investment strategy.

### Investments in Non-U.S. Investments

From time to time, the Adviser may invest in non-U.S. securities and other assets (through ADRs and otherwise), which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. Such risks may include:

- Political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.
- Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.
- Foreign securities and other assets often trade in currencies other than the U.S. dollar, and the Adviser may seek to indirectly hedge or limit exposure to foreign currencies. In pursuit of that objective, the Adviser may purchase and sell foreign currencies through forward exchange contracts. Such exposure techniques may or may not be effective, and would create additional costs. Changes in currency exchange rates will affect the Adviser's net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of investments. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Adviser's investments to decline. Some foreign currencies can be particularly volatile, and the relative strength or weakness of any particular currency to the US dollar fluctuates over time (unless it is a "pegged" currency). Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Adviser's foreign currency holdings. If the Adviser enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if the Adviser enters forward contracts for the purpose of increasing return, it may sustain losses with negative currency valuation adjustments.
- Non-U.S. securities, commodities and other markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Some foreign countries lack uniform accounting, auditing and financial reporting standards, and there may be less public information about the operations of issuers in such markets.

### Risk of Default or Bankruptcy of Third Parties

The Adviser may engage in transactions in securities, commodities, other financial instruments and other assets that involve counterparties. Under certain conditions, the Adviser could suffer losses if a counterparty to a transaction were to default or if the



market for certain securities, commodities, other financial instruments and/or other assets were to become illiquid.

## Regulatory Risks

**Strategy Restrictions:** Certain institutions may be restricted from directly utilizing investment strategies of the type in which the Adviser may engage. Such institutions, including entities subject to ERISA, should consult their own Advisers, counsel and accountants to determine what restrictions may apply and whether conducting business with the Adviser is appropriate in light of the Adviser's investment management style and strategies.

**Trading Limitations:** For all securities, instruments and/or assets listed on an exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Adviser to loss. Also, such a suspension could render it impossible for the Adviser to liquidate positions and thereby expose the Adviser to potential losses.

**Conflicts of Interest:** In the administration of client accounts, portfolios and financial reporting, the Adviser faces various inherent conflicts of interest, which are described in this brochure. The Adviser follows a Code of Ethics that provides that the client's interest is always held above that of the Firm and its associated persons.

**Supervision of Trading Operations:** The Adviser supervises and monitors trading activity in the portfolio accounts to foster compliance with all objectives. Despite the Adviser's efforts, however, there is a risk that unauthorized or otherwise inappropriate trading activity may occur in portfolio accounts.

## Security Specific Risks

Depending on the nature of the investment management service selected by a client and the securities used to implement the investment strategy, clients will be exposed to risks that are specific to the securities in their particular investment portfolio.

**Liquidity:** Liquidity is the ability to readily convert an investment into cash. Securities where there is a ready market that is traded through an exchange are generally more liquid. Securities traded over-the-counter or that do not have a ready market or are thinly traded are less liquid and may face material discounts in price level in a liquidation situation.