

**FORM ADV PART 2A Appendix 1**

# **WRAP FEE BROCHURE**

Laffer Tengler Investments, Inc.

## **Laffer Tengler Wealth Management Wrap Program**

103 Murphy Court  
Nashville, TN 37203  
Phone: (615) 460-0100  
Fax: (615) 460-0102

Brochure Date: April 30, 2020

This Wrap Fee Brochure (Part 2A Appendix 1 of Form ADV) provides you with information about the qualifications, business practices and advisory services of Laffer Tengler Investments, Inc.

The information contained herein has not been approved or verified by any governmental authority. Our firm is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training, only that we have filed registration documents in the appropriate jurisdictions and with the respective governmental entities.

Additional information about Laffer Tengler Investments, Inc. can be found on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by using our identification number referred to as a CRD Number. Laffer Tengler Investments, Inc. CRD Number is **108068**. If you have any questions about the content of this brochure, please contact us at the telephone number shown above or by email to our Chief Compliance Officer at [jcurley@bjfholdings.com](mailto:jcurley@bjfholdings.com)

**MATERIAL CHANGES (Item 2)**

***This version of our Wrap Fee Brochure, dated April 30, 2020, is an interim filing of our wrap fee brochure.***

***The following are changes to our Wrap fee brochure since our initial filing of February 5, 2020:***

Effective April 30, 2020, Laffer Investments Inc. has been renamed to Laffer Tengler Investments, Inc. All references throughout the document have been updated.

We have revised Item 9 to disclose an affiliate, ITCANHAPPEN GP LLC. For more information about this relationship, please see Item 9 of this brochure.

Investment advisers that sponsor wrap fee programs are required to prepare an appendix to their disclosure document or “Brochure” that describes the adviser’s wrap fee programs in detail. This is our “Wrap Fee Brochure,” which describes our asset management services, which are provided on a wrap fee basis. We are required to amend our Wrap Fee Brochure at least annually and provide clients and prospective clients with a summary of any material changes since the previous annual amendment.

This section of the Wrap Fee Brochure (Item 2) is reserved for discussion of any material changes made to the Wrap Fee Brochure since the last annual updating amendment.

Annually, we will ensure that you receive either an amended brochure or a summary of any material changes to this and any subsequent Wrap Fee Brochure within 120 days of the end of our fiscal year and promptly at any time if any of the information herein becomes materially inaccurate.

We will deliver a complete copy of our Wrap Fee Brochure to you upon your request at any time during the year. Please contact our Chief Compliance Officer Jon Curley at at [jcurley@bjfholdings.com](mailto:jcurley@bjfholdings.com), to request a Wrap Fee Brochure.

**TABLE OF CONTENTS (Item 3)**

FORM ADV PART 2A Appendix 1.....	1
MATERIAL CHANGES (Item 2) .....	2
TABLE OF CONTENTS (Item 3).....	3
SERVICES, FEES AND COMPENSATION (Item 4).....	4
PORTFOLIO MANAGER SELECTION AND EVALUATION (Item 6).....	11
CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS (Item 7) .....	19
CLIENT CONTACT WITH PORTFOLIO MANAGERS (Item 8) .....	19
ADDITIONAL INFORMATION (Item 9) .....	20

## **SERVICES, FEES AND COMPENSATION (Item 4)**

The Laffer Tengler Wealth Management Wrap Program is one of the programs Laffer Tengler Investments, Inc. ("hereinafter, "LTI," the "Firm," "Our," or "We") offers. For its wealth management clients, LTI will recommend an investment program ("Wrap Fee Program") in which the client pays a single fee for asset management services and the transactions entered in their accounts ("Wrap Fee"). Fees included in the Wrap Fee include transaction fees for the purchase or sale of securities, but do not include expenses related to the use of margin, wire transfer fees, the fees charged to shareholders of mutual funds or ETFs, mark-ups and mark-downs, spreads, odd-lot differentials, fees charged by regulatory agencies, and any transaction fees for securities trades executed by a broker-dealer other than our recommended qualified custodian.

Because of the nature of a Wrap Fee Program, a client may pay more, or less than had the client compensated another adviser outside of the Wrap Fee Program. For example, if a client's account is rarely traded, the transaction fees that the client would have paid would be minimal, thus limiting the benefits of "wrapping" management fees and transaction fees.

LTI receives the Wrap Fee for our services. When transaction fees are charged by our recommended custodian or broker/dealer, we will pay those fees on behalf of our Client. The remainder of the Wrap Fee is the net management fee payable to LTI. The amount payable to us varies depending upon the amount of trading in a client's account. The more transactions in the account, the greater the amount of transaction fees, and therefore the less compensation to us. Accordingly, we have a financial incentive to avoid trading the account. This creates a conflict of interest between the Firm and its Wrap Fee Program clients. We mitigate this conflict by requiring that the Firm's employees acknowledge their fiduciary duty to place client interests ahead of their own and through review of client accounts.

### **Services**

The adviser provides all clients participating in the Wrap Program with a variety of services:

- Access to an investment advisory representative for advice and service, including
  - Development of a broadly diversified portfolio with asset classes and investment selections designed to meet the liquidity and risk characteristics of your financial goals;
  - Recommendations of specific investment strategies used to implement your portfolio.
- Quarterly performance reporting provided by LTI. This reporting is in addition to the regular statements you receive from the custodian who holds your assets.

- **Financial Planning**
  - If requested, our firm will provide financial planning and consulting services to clients who retain us for one of the above services at no additional cost to the client. Financial planning services will typically involve preparing a financial plan or rendering a financial consultation for clients based upon an analysis of current situation, goals, and objectives. This planning or consulting may encompass Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Tax-Planning related to Potential 1042 Elections, Mortgage/Debt Analysis, or Business and Personal Financial Planning.

Written financial plans or financial consultations rendered to clients may include general recommendations for a course of activity or specific actions to be taken by the clients. Implementation of the recommendations will be at the discretion of the client. Our firm will provide such clients with a summary of their financial situation, and observations for financial planning engagements. LTI does not provide, and no statement contained herein shall constitute, tax or legal advice. You should consult a tax or legal professional on any such matters

- **Un-managed accounts**
  - These assets are not managed by the adviser but may be designated by the client and held within the wrap fee arrangement. No fee is charged for such assets, and the adviser provides no investment advice with regards to such assets.
  - Client cash that is held for cash management purposes is also considered “un-managed.”
  - Un-managed assets may be included in quarterly performance reporting as part of the wrap services.

### **Strategy Selection and Conflicts of Interest**

A client may choose to participate in one or more of three investment strategies offered within the LTI Wrap Fee Program. Some of the strategies offered within the LTI Wrap Fee Program are managed by LTI. This creates a conflict of interest because LTI will receive a higher percentage of the clients’ advisory fee for accounts it manages, compared to accounts which it does not manage the assets. It may therefore more beneficial to LTI to recommend an asset allocation that includes only strategies managed by LTI or its affiliates.

To address this conflict of interest, the adviser has adopted Compliance Procedures and a Code of Ethics that requires the Firm’s IARs, portfolio managers and other employees of the firm to adhere to their fiduciary duty and avoid activities, interest and relationships that run contrary (or appear to run contrary) to the best interest of our clients.

## **Strategies**

### **The LTI Portfolio Strategy**

The LTI Portfolio Strategy allocates assets to investment portfolios managed by LTI.

- Recommended strategies will include portfolios of individual bonds or equities managed by LTI.
- Clients may have the option to include active risk management that is designed to mitigate risk of catastrophic loss from equity exposure during periods of extreme equity market stress. Be sure to see the Risk Management Section below for more information.

### **The LTI Manager Select Strategy**

Where LTI does not offer portfolio strategies for a specific asset allocation, third-party managers, mutual funds, ETFs, etc. may be used to meet the recommended asset allocation.

- The selection of third-party managers for asset allocations not managed by LTI or its affiliates will be made by the Chief Investment Officer of Laffer Tengler Investments, Inc. The manager selection process is detailed below.

### **Qualified Replacement Property (“QRP”) Strategy.**

If you are planning to sell your interest in private company to an Employee Stock Option Plan (“ESOP”), we provide consultation on the potential benefits and drawbacks of implementing a QRP portfolio as part of a Section 1042 election to defer capital gain taxes. If a QRP strategy makes sense for your financial objectives, we can also develop a diversification strategy that is compatible with your financial goals. The QRP strategies that we recommend may include long-term bond holdings, including floating rate or fixed-income securities, passive equity strategies with the option to include an active risk management overlay, or a combination of both. The active risk management component of our QRP equity strategies is discussed in more detail in Item 6 of this document. We also provide such services for clients who have implemented QRP strategies in the past. It is anticipated that the QRP portfolios will have extremely low turnover to favor tax-efficiency.

### **LTI Manager Select Strategy-Manager Selection Process**

The Investment Committee conducts a comprehensive evaluation of prospective third-party manager firms to be available in the LTI Manager Select Strategy based on the following criteria: a clear and proven investment process, a stable team of experienced investment professionals, and an established and superior track record.

Once a list of qualified managers is identified, each strategy is further evaluated using the following metrics:

1. Understand the firm's investment discipline: Do they have a proven track record of employing the discipline consistently? Is the process sound based on our evaluation?
2. Risk controls: What risk controls does the firm and management have in place to ensure adherence to their discipline, mitigate potential losses, evaluate upside, and implement their sell discipline.
3. Manager Tenure: Apart from having an experienced investment team, has there been stability with the strategy's manager or management team? How long has the current manager or management team been in place? Is there depth to their organization and management team? Is there a clear succession plan?
4. Inception date: When did the strategy begin trading?
5. Fees: What are the fees being charged, how are they structured, and how do they compare to comparable firms and strategies?
6. Number of Holdings: How many positions does the strategy have and how well diversified is the manager? Are they too diversified?
7. Net assets: What are the current Assets Under Management (AUM) and/or Assets Under Advisement (AUA) and how does current AUM/AUA compare to historic levels?
8. Turnover: What level of turnover does the strategy have currently and historically?
9. Rate of Return and Performance: How have investors in the strategy done over a 1, 3, and 5-year period? Since inception? What is their Peer Group Ranking?
10. Quantitative Performance Factors: How does the strategy compare when looking at factors such as Risk Adjusted Total Returns (Sharpe Ratio), Alpha, Beta, Upside/Downside Capture, etc.

When possible, in person, on-site interviews are conducted, and a formal research report is produced. Each manager is monitored quarterly and formally reviewed annually.

### **Fees and Compensation**

LTI is compensated for providing investment management services to its clients based on a percentage of assets under its management.

We offer two investment strategies that are subject to asset-based fees on all assets held for investment – LTI Portfolio Strategy and LTI Manager Select Strategy. The Qualified Replacement Property (“QRP”) Strategy has a separate fee schedule detailed below.

All three strategies will be provided on a wrap fee basis, whereby a client pays a single fee for asset management services and the transactions entered in their accounts. Fees included in the wrap fee include transaction fees for the purchase or sale of securities, but do not include certain other charges not related specifically to portfolio management that may include, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

All fees are subject to negotiation at the sole discretion of LTI. Family and household accounts may be combined for breakpoint purposes, and not all clients will be charged the same fee. Notably, principals and employees of LTI and its affiliates may receive preferential fee arrangements or a complete fee waiver. Each client’s fee schedule will be disclosed on the Investment Management Agreement that the Client signs. Our annual investment management fees are detailed in the tables below:

#### **LTI Portfolio Strategy and LTI Manager Select Strategy**

<b><u>Client’s Aggregate Portfolio Management Assets</u></b>	<b><u>Annual Fee</u> <u>(applies to all assets once total client assets reaches the asset range shown in column 1)</u></b>
Up to \$5 million	0.90% of assets
More than \$5 million, up to \$10 million	0.80% of assets
More than \$10 million, up to \$20 million	0.70% of assets
More than \$20 million, up to \$50 million	0.65% of assets
More than \$50 million	Negotiated



Fees are not charged on cash held for liquidity purposes.

### Qualified Replacement Property (QRP) Equity Portfolio Management Wrap Fee Schedule

<u>Client's Aggregate Portfolio Management Assets</u>	<u>Annual Fee Applicable to Equity Assets ONLY</u> <u>(applies to equity assets once total client assets reaches the asset range shown in column 1)</u>
Up to \$10 million	0.70% of assets
More than \$10 million, up to \$20 million	0.50% of assets
More than \$20 million	Negotiated

### Qualified Replacement Property (QRP) Fixed Income Portfolio Management Fee Schedule

No fees are charged for fixed or floating rate securities or cash held in the QRP Fixed Income Portfolio.

### Non-Public/Non-Marketable Investment Evaluations and Recommendations Fee Schedule

No fees are currently charged for evaluations of Non-Public/Non-Marketable Investment for which LTI has no ongoing oversight responsibilities ("Non-Monitored Asset"). LTI will decide in its sole discretion whether or not to provide evaluations of Non-Monitored Assets on a case by case basis. If LTI recommends purchase of a Non-Public/Non-Marketable Investment to a client or if a client has already invested in a Non-Public/Non-Marketable Investment and requests that LTI monitor the investment, the investment will be subject to the Core Portfolio Management fee schedule for monitoring the investment. Ongoing monitoring of Non-Public/Non-Marketable Investments that were not originally recommended by LTI will be subject to the acceptance, in writing, by LTI of monitoring responsibility for such assets.

As discussed in greater detail in Item 9, commonly-controlled affiliates of LTI may from time to time sponsor certain private investment funds or pooled investment vehicles commonly known as "hedge funds" or "alternative investments," and LTI, in turn, may recommend that its clients invest in such alternative investments, which will only be recommended on a non-discretionary basis. To the extent that LTI clients do invest in any affiliated alternative investments and such investment charges its investors an asset management fee, LTI shall require client consent and waive any asset-based fees due to LTI with respect to the total amount invested by such clients in the affiliated investment. Supervised persons of LTI do not accept compensation for the sale

of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

For purposes of determining the Client's assets under management, any accounts (including fixed income accounts) owned by members of Client's household will be aggregated. Please note that some client assets may be considered assets under management for purposes of calculating our fee even though they would not be considered assets under management for purposes of regulatory reporting, as referenced in Item 4 of this Brochure. The Wrap Fee is calculated by multiplying one-fourth of the annual fee by the value of the account as of the last day of the quarter. For example, January through March billing statements are calculated based on balance values in the account on March 31st. The fee calculations will typically be completed within the first few business days following the quarter end, using the end of quarter account value.

The amount of the Wrap Fee charged for the quarter in which the Account is established shall be in proportion to the number of calendar days remaining in the quarter and shall be based upon the balance in the Account(s) at the end of the quarter. If the number of days remaining in the quarter is less than 30 at the time the account is established, no fee will be charged for that quarter. Upon termination, a client will be invoiced the pro-rata amount owed to LTI based on the number of calendar days in the quarter the account was under management by LTI.

Adviser may increase or decrease the above fee schedules by amending the Investment Management Agreement that the Client signs pursuant to the terms of such Investment Management Agreement, which requires thirty days prior written notice to Client.

Charges imposed directly by a mutual fund, or ETF (hedge fund, private equity fund, etc.) are disclosed in the fund's prospectus or other operating documents provided to investors. Clients may also incur other charges not related specifically to portfolio management that may include, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

LTI may purchase individual bonds, for client accounts. For bonds purchased on the secondary market (bonds that were issued in the past but have not yet matured or been called), the market participants who buy or sell bonds may embed a markup in the price of the bonds to generate a profit from the trade. LTI does not participate in any markup or generate any revenue from secondary market bond trading activity. For bonds purchased in the primary market (new issues), the underwriters, market makers, and/or brokers involved LTI will receive no additional compensation as a result of client's participation in the program for offering the Wrap Fee Program.

## ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS (Item 5)

LTI provides its services to individuals and institutional clients. LTI has a minimum relationship size of \$5 million, which may be waived at the sole discretion of LTI.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION (Item 6)**

The Wrap Program offered by LTI is sponsored by the Firm. LTI utilizes itself and other third-party managers (as described above) as the portfolio managers.

### **Advisory Business**

LTI provides wealth management, investment advisory, and related services to high net worth individuals, families, trusts and related entities. LTI manages investments on a discretionary basis. Clients may request reasonable limitations on our discretionary authority. If you become a client, members of our investment team will meet with you to develop an understanding of your financial objectives. Additionally, we will discuss concepts related to risk, as well as your ability and willingness to take on risk in your overall investment portfolio.

This process typically involves not only focusing on your financial assets, but also mapping out existing and anticipated liabilities and projected cash flow. We prefer to consider your full balance sheet to provide the opportunity to understand your current and future liquidity requirements that should be factored into the wealth management framework that we ultimately recommend to you. We consider all of the information gathered in this process in developing an investment management program tailored to your needs.

Our processes for determining and communicating appropriate investments for you may include:

- Identification of your specific financial objectives, their associated liquidity and cash flow characteristics, and your risk tolerance with respect to those objectives;
- An evaluation of your current investment portfolio;
- Education on investment characteristics and considerations when designing portfolios to address your specific objectives;
- Development of your Investment Policy Statement, which documents the policies and guidelines that will govern the management of your portfolio; and
- Performance reporting and market commentary.

### **1. The LTI Portfolio Strategy**

“The LTI Portfolio Strategy” refers to our advisory and wealth management services using only portfolios managed by LTI. LTI Portfolio Strategies will be provided on a Wrap Fee basis only. For additional information, please see the section “Services” above under Item 4.

Core Portfolio Management assets are typically managed within broadly diversified portfolios invested as described in this section.

In developing a diversified portfolio for you, we will consider your specific investment objectives, attitudes and capacity to accept investment risk, and the timing of anticipated material future liabilities or cash flows. Our approach generally considers four core portfolio construction disciplines, including:

#### Core Portfolio Construction Disciplines

- **Diversification**  
Diversification, that is: the mix of asset classes (cash, fixed income, equities and alternatives) contained in an overall investment portfolio, is both a key to long term performance, and also a key ingredient to reducing portfolio volatility over time.
- **Cash flow**  
We construct your portfolio considering known future cash inflows and required outflows as well as providing amounts of appropriate reserve funds for you.
- **Manager Selection/Expense**  
For the portion of your portfolio that will be allocated to equity and/or fixed income, we will consider a mix of proprietary strategies and investment strategies of other “outside” managers. Outside manager strategies may be executed using mutual funds, separate accounts, or through the use of “model portfolios” that are traded by us according to a model provided by an outside manager. As part of the selection process we will carefully consider manager performance and fees in making the recommendation of the best manager for your portfolio.
- **Liquidity**  
The potential selection of alternative investments for your portfolio may provide for returns that are not correlated to the broader public markets, but in most cases you will give up liquidity (the ability to sell the investment in the short term) in return for those returns. We will consider alternative investments where we believe the liquidity risk is within your overall risk management profile.

#### A. Risk Management

Our Risk Management process is primarily focused on understanding your tolerance for market volatility, your need (or desire) for hold cash reserves for liquidity, and realistic expectations for market returns based on our investment return assumptions. The primary decision within this process is determining what portion of your portfolio will be allocated to growth-oriented assets such as public market equities, which tend to introduce more risk particularly over shorter timeframes, versus what portion of your portfolio will be allocated to assets intended to provide stability and liquidity, such as fixed income investments (bonds, etc.) but have lower prospects for long-term growth.

To support this process, we may use forward-looking views, or Capital Market Assumptions (“CMAs”), on the investment characteristics of asset classes and individual investments that are under consideration for investment. The CMAs used to support our use of Diversification-Based Risk Management are primarily based upon external research sources and may also be influenced by internal research. For the purposes of portfolio construction and Diversification-Based Risk management, we categorize investments under consideration into two distinct market groups, each of which has a variety of asset classes available for consideration:

- Public market investments – which we define as securities for which there generally is an established public market, either through electronic or over-the-counter trading. Within this market group we may consider asset classes and sub-classes within:
  - U.S. Equities
  - International Equities
  - U.S. Taxable Fixed Income
  - U.S. Municipal Fixed Income
  - International Fixed Income
  - U.S. Equity Sector and Thematic Funds
  - Managed Futures
  - Emerging Market Equities
  - Emerging Market Debt
  - U.S. Preferred Equities
  - U.S. Convertible Bonds
- LTI may also recommend the use of “hedging” techniques to limit client exposure to unstable equity markets. The advantages, disadvantages, costs and risks of hedging strategies will be discussed with the client to get their approval prior to engaging in any hedging transaction.
- Private market investments – which we define as investments that typically do not have a public market or exchange, will likely have limited liquidity, and may have statutory restrictions on investor eligibility. These investments are also commonly called “alternative investments.” Within this market group we typically consider asset classes and sub-classes within:
  - Real Estate
  - Private Equity
  - Private Debt
  - Hedge Funds

- Venture Capital

The asset classes LTI may consider for an individual client may include some or all of the asset classes above, or other assets LTI may feel are appropriate for a specific client. These CMAs for investments under consideration are developed using quantitative and qualitative techniques that consider factors including, but not limited to: historical investment return, risk and correlation, macroeconomic conditions, evolving securities market dynamics, asset valuation trends, and investment research from internal and external sources. No assurances can be made that these forward-looking views will be accurate and forecasting errors may adversely affect the results of portfolios constructed based upon these views.

#### B. Liquidity Risk Management

In the Liquidity Risk Management process, we consider lifestyle needs as well as the potential for unexpected cash flow needs. These factors are evaluated relative to your financial objectives, as well as risk, return, and liquidity characteristics that we have identified for potential investments. We will consider liquidity risk and how it has impacted your recommended investment program prior to implementing your portfolios. It is important for you to notify us if your assessment of liquidity needs changes. In the event the liquidity and risk characteristics of the investments in your investment program change significantly relative to our assumptions, this would increase the risk that either expected or unexpected liquidity, or cash flow, needs would result potential exposure to capital losses.

#### C. Investment Selection

Once the LTI investment team has created a target portfolio for a client, the team will then select investments that align with each of the target asset classes.

For clients electing the LTI Portfolio strategy, only public market equities managed by LTI would be used.

For clients selecting the LTI Manager Select strategy only outside managers selected through the manager selection process outlined above would be used.

We also may offer transition management of existing portfolios in a tax-efficient manner, depending on LTI's sole determination of our ability to do so in an efficient and effective manner. While our primary objective when managing equity exposure is to ensure that the exposure to the equity allocations within your investment program are aligned with their targets, we may also trade individual equities and equity funds to reduce potential tax liabilities. When transitioning a portfolio of individual securities into the targeted investment program, there is a risk that the retained positions will cause the performance of your investment portfolio will deviate significantly from the target portfolio of your investment program.

#### D. Portfolio Rebalancing

To keep portfolio risk and return characteristics in alignment with stated client objectives, LTI may from time to time engage in periodic rebalancing of the assets within the portfolio. Portfolios may need to be rebalanced for a variety of reasons and rebalancing is typically triggered by deposits and withdrawals, and the relative appreciation or depreciation of investments held within client portfolios.

## 2. Qualified Replacement Property Portfolio Management

LTI also offers to its clients specialized portfolio management services on a Wrap Fee basis that are uniquely designed for accounts structured to defer capital gains taxes under U.S. Internal Revenue Code ("IRC") §1042. IRC §1042 offers significant tax benefits for business owners who sell all, or a portion, of their company shares to an Employee Stock Ownership Plan ("ESOP"). If you plan to sell all or part of your ownership in a private company to an ESOP, we provide advisory services for the acquisition and management of a Qualified Replacement Property ("QRP") portfolio. QRP includes U.S. equity and debt securities that meet requirements articulated in IRC §1042. We will consult with you regarding the details of your specific transaction and will help evaluate the benefits and tradeoffs of considering a QRP strategy, including strategies to diversify your portfolio to meet your financial objectives in a tax-efficient manner. If you choose to proceed with a QRP strategy, we will identify and build a portfolio of compliant QRP securities and review diversification strategies that may include the use of leverage. Once constructed, we will continue to monitor the holdings in your QRP portfolio and will manage your ongoing use of leverage to meet your financial objectives.

A typical QRP portfolio structured by LTI will likely include the acquisition of QRP in the form of extended-maturity Floating Rate Notes ("FRN"). FRN are bonds that are issued with interest rates that "float" with changes in benchmark interest rates, typically being reset quarterly. Because of the way these bonds are structured, certain types of FRN are often purchased in QRP accounts to provide selling business owners with maximum flexibility in structuring a §1042 transaction. These extended-maturity FRN typically carry maturities of 30-40 years or more, as these notes are expected to be held until death to maximize potential tax deferral. Additionally, since the extended-maturity FRNs targeted for QRP portfolios are typically from higher credit quality issuers, the notes usually exhibit relatively low volatility and trade close to their "par" or face value at issuance, these extended-maturity FRNs are often used as collateral for margin or securities-backed loans, providing liquidity for lifestyle needs or further investment.

Accordingly, LTI offers QRP strategies employing varying degrees of leverage (a non-leveraged option is also available). In a one-stage leveraged cash deferral transaction, the selling business owner receives cash proceeds in the sale of his/her stock to an ESOP and deposits these cash proceeds into a QRP account set up by LTI which, in turn is used to purchase FRN. The FRN in the QRP account is then pledged as collateral, obtaining for the seller a loan from the custodian or other source, the proceeds of which are then deposited into a core investment portfolio.

This investment portfolio can then be invested by LTI to meet the client's individual goals and objectives.

In a more complicated two-stage leveraged cash deferral transaction, the initial steps are the same as in a one-stage transaction. However, the proceeds from the margin loan are returned to the QRP account such that additional QRP may be purchased in the second stage. This additional QRP is then, in turn, pledged by the seller to the custodian to fund a core investment portfolio.

LTI's fee schedule for its QRP portfolio management services are described in detail in Item 4 above.

### **Risk of Loss**

There are always risks to investing. Clients should be aware that all investments carry various types of risk including the potential loss of principal that clients should be prepared to bear. It is impossible to name all possible types of risks. In addition to the risks listed above, the following are also risks that may pertain to your investment:

- **Political Risks.** Most investments have a global component, even domestic stocks. Political events anywhere in the world may have unforeseen consequences to markets around the world.
- **General Market Risks.** Markets can go up or down on various news releases or for no understandable reason at all. This sometimes means that the price of specific securities could go up or down without known reason and may take some time to recover any lost value. Adding additional securities does not help to minimize this risk since all securities may be affected by market fluctuations.
- **Currency Risk.** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Regulatory Risk.** Changes in laws and regulations from any government can change the value of a given company and its accompanying securities. Certain industries are more susceptible to government regulation. Changes in zoning, tax structure or laws impact the return on these investments.
- **Tax Risks Related to Short Term Trading.** Clients should note that LTI may engage in short-term trading transactions. These transactions may result in short term gains or losses for federal and state tax purposes, which may be taxed at a higher rate than long term strategies. LTI endeavors to invest client assets in a tax efficient manner, but all



clients are advised to consult with their tax professionals regarding the transactions in client accounts.

- **Risks Related to Investment Term.** If you require us to liquidate your portfolio during a period in which the price of the security is low, you will not realize as much value as you would have had the investment had the opportunity to regain its value, as investments frequently do, or had we been able to reinvest in another security.
- **Purchasing Power Risk.** Purchasing power risk is the risk that your investment's value will decline as the price of goods rises (inflation). The investment's value itself does not decline, but its relative value does, which is the same thing. Inflation can happen for a variety of complex reasons, including a growing economy and a rising money supply.
- **Business Risk.** These risks are associated with a specific industry or company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. For example, Treasury Bills are highly liquid, while real estate properties are not. Some securities are highly liquid while others are highly illiquid. Illiquid investments carry more risk because it can be difficult to sell them.
- **Financial Risk.** Excessive borrowing to finance a business' operations decreases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Default Risk.** This risk pertains to the ability of a company to service their debt. Ratings provided by several rating services help to identify those companies with more risk. Obligations of the U.S. government are said to be free of default risk.
- **Leverage Risk.** Certain of our investment strategies employ various levels of leverage. The use of leverage exposes client accounts to additional levels of risk, including, greater losses from investments than would otherwise have been the case if we had not borrowed to make the investments, margin calls or interim margin requirements which may force premature liquidations of investment positions; and losses on investments where the investment fails to earn a return that equals or exceeds the cost of borrowing such funds (including interest, transaction costs and other costs of borrowing).

- **Hedging Risk.** Hedging instruments such as options and certain ETFs are typically intended to limit or reduce investment risk, but can also be expected to limit or reduce the potential for profit or result in losses. No assurance can be given that any particular hedging strategy will be successful and achieve its desired objective, or will make any profit, or will be able to avoid incurring losses. Certain hedging transactions may involve the use of leverage, which could result in losses exceeding the amount committed in the transaction. See Leverage Risk above.

### **Performance-based Fees**

Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client. While LTI does not directly charge any performance-based fees, LTI may recommend that its clients invest in alternative investments sponsored by entities affiliated with LTI that may charge performance-based fees. If our clients invest in any investment sponsored by any entity affiliated with Laffer Tengler Investments, LTI will waive any fees charged on those assets.

### **Voting Client Securities**

LTI votes proxies or other matters relating to the securities owned by clients. We follow the procedures outlined in Item 17 of Laffer Tengler Investments ADV, Part 2A. You may request a copy of the ADV, Part 2A and one will be provided.

As required by Rule 206(4)-6 under the Adviser Act, LTI has adopted written proxy voting policies and procedures (“Proxy Voting Policies and Procedures”) designed and implemented in a way to ensure that LTI will vote proxies related to client securities in the best interest of the client, unless the client contract specifies that LTI will not vote. While these Proxy Voting Policies and Procedures contain guidelines for certain issues on which votes may be cast, each proxy vote may ultimately be cast on a case-by-case basis, taking into consideration any contractual obligations LTI may have to its clients and all relevant facts and circumstances at the time of the vote and considering specific issues, as they arise, on their merits. LTI may (i) vote in accordance with the recommendation of the portfolio company’s management, (ii) vote against management, (iii) engage in dialogue with management with respect to pending proxy issues to seek to change the views of management or (iv) join with other investment managers in seeking to put a shareholder proposal to a company or oppose a proposal submitted by the company.

Proxy voting is overseen by the Firm’s Proxy Administrator (“PA”). The PA is responsible for receiving and processing proxies held in client accounts, reviewing proxy statements received and categorizing the proxy according to issues and proposing parties. The PA will then direct each proxy statement to LTI’s CCO (who may also be the PA) and will highlight any recommendations made by a third party. To the extent the PA recommends voting contrary to

any third-party recommendation, the reasons for such recommendations will be documented. The CCO is ultimately responsible for ensuring that votes are cast in accordance with the Proxy Voting Policies and Procedures.

LTI recognizes its responsibilities for identifying material conflicts of interest in the proxy voting context. Employees of LTI must disclose to the PA any personal conflicts such as officer or director positions held by them, their spouses or close relatives in the relevant issuer. Conflicts based on business relationships with LTI or any affiliates of Laffer Tengler Investments will only be considered to the extent that LTI has actual knowledge of such relationships. To the extent that a conflict has been identified, the CCO will determine, in consultation with the PA, how the conflict may be eliminated or resolved. Among the means by which Laffer Tengler Investments utilizes to resolve conflicts of interest are: (1) voting in accordance with the Proxy Voting Policies and Procedures, if it involves little or no discretion; (2) voting in accordance with a third party independent service provider, to the extent that Laffer Tengler Investments uses such a service; (3) if possible, erecting information barriers around the person or persons making voting decisions sufficient to insulate the decision from the conflict; (4) if practical, notify affected clients of the conflict and seeking a waiver of the conflict; or (5) if agreed upon in writing with the client, forward the proxies to the affected client and allowing the client to vote its own proxies.

LTI will not disclose proxy votes for a client to other clients or third parties, unless specifically requested, in writing by the client. However, to the extent that LTI may serve as a sub-adviser to another adviser to a client, LTI will be deemed to be authorized to provide proxy voting records on such client accounts to that adviser.

Clients may obtain information about how LTI voted proxies for their account or a copy of the Proxy Voting Policies and Procedures by contacting LTI. Our contact information appears on the cover of this Brochure.

#### **CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS (Item 7)**

LTI monitors accounts on an ongoing basis and reviews client account activity at least annually or as agreed upon with individual clients. Our reviews consist of determining whether your portfolios and strategies continue to align with your investment goals, objectives and risk tolerances. If reallocation of investments is necessary, we may either buy and/or sell other investments that would result in a portfolio that is more appropriate for your investment goals and objectives.

#### **CLIENT CONTACT WITH PORTFOLIO MANAGERS (Item 8)**

LTI does not place any restrictions on the clients' ability to contact and consult with the LTI portfolio managers of the Wrap Fee Program.

## **ADDITIONAL INFORMATION (Item 9)**

### **Disciplinary Information**

Laffer Tengler Investments is not involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management.

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

Laffer Tengler Investments has several affiliates that are engaged in businesses within the financial services industry.

ButcherJoseph Financial Holdings, LLC ("BJFH") is a holding company that is the sole owner of Laffer Tengler Investments. BJFH is majority owned by ButcherJoseph & Co., LLC ("BJ & Co."), which, in turn is majority owned by Keith Butcher and Joseph Strycharz. BJ & Co. is an investment adviser that is exempt from registration under applicable federal and state law. Jon Curley serves as Chief Compliance Officer for BJ & Co. Currently, Laffer Tengler Investments does not provide any services to BJ & Co., nor does Laffer Tengler Investments receive any fees from BJ & Co. Similarly, BJ & Co. does not provide any services to or receive any fees from BJAM. Notwithstanding the foregoing, there is some cost sharing and other synergies derived from the relationship between the affiliated entities. Laffer Tengler Investments may use resources from its affiliates and reimburse the affiliates for the benefits that it receives. For example, BJ & Co. or BJFH will provide medical benefits to Laffer Tengler Investments employees with Laffer Tengler Investments reimbursing the affiliate for its costs.

ButcherJoseph Asset Management ("BJAM") is an affiliated state-registered investment adviser wholly owned by BJFH. Laffer Tengler Investments does not recommend clients utilize BJAM for any services. Notwithstanding the foregoing, as mentioned above, Laffer Tengler Investments may use resources from its affiliates and reimburse the affiliates for the benefits that it receives. Some employees who are registered with BJAM are also registered with Laffer Tengler Investments.

Sable Capital, LLC ("Sable"), also wholly owned by BJFH, is a broker-dealer that is registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). Currently, neither Laffer Tengler Investments nor Sable provide any services to each other, nor does either receive any revenue from the other, and it is not anticipated that they either will provide any services for, or receive any fees from, the other. Our Chief Executive Officer and Chief Compliance Officer Jonathan Curley is a registered

principal with Sable, also serving as Sable's Chief Executive Officer and Chief Compliance Officer.

Mosaic Capital Investors I, LP ("Mosaic Fund") is a private investment fund that was organized in 2012 for the purpose as operating as a Small Business Investment Company. The general partner of Mosaic Fund is Mosaic Capital Investors, LLC ("Mosaic Investors"). Mosaic Capital Partners, LLC ("Mosaic Partners") serves as investment adviser to the fund, but is exempt from registration under applicable federal and state law. Butcher and Strycharz, among others, are Managing Members of Mosaic Investors and Mosaic Partners. Currently, Laffer Tengler Investments does not provide any services to any of the Mosaic Fund, Mosaic Investors, or Mosaic Partners (collectively, "Mosaic Entities"), nor does Laffer Tengler Investments receive any fees from the Mosaic Entities. Similarly, the Mosaic Entities do not provide any services to or receive any fees from Laffer Tengler Investments.

One Tree Hill, LP ("OTH Fund") is a limited partnership that operates as a private fund, and was formed in 2014 for the purpose of investing in certain notes, warrants and similar securities. The General Partner of the OTH Fund is One Tree Hill G.P., LLC ("OTHGP"), which is controlled by BJ&Co. Currently, Laffer Tengler Investments does not provide any services to any of OTH Fund or OTHGP (collectively the "OTH Entities"), nor does Laffer Tengler Investments receive any fees from the OTH Entities. BJFH currently owns a 10% interest in OTHGP. Similarly, the OTH Entities do not provide any services to or receive any fees from Laffer Tengler Investments.

Red Barchetta, LP ("RBLP") is a limited partnership that operates as a private fund, and was formed in 2019 for the purpose of investing in Freely Pet, LLC, a recently formed Delaware limited liability company. The general partner of RBLP is Red Barchetta GP LLC. ("RBGP"). RBGP serves as investment adviser to the fund, but is exempt from registration under applicable federal and state law. RBGP is controlled by BJ & Co., which is in turn controlled by Butcher and Strycharz. Currently, Laffer Tengler Investments does not provide any services to any of the RBLP or RBGP (collectively, "RB Entities"), nor does Laffer Tengler Investments receive any fees from the RB Entities. Similarly, the RB Entities do not provide any services to or receive any fees from Laffer Tengler Investments.

ITCANHAPPEN LP ("ICHLP") is a limited partnership that operates as a private fund and was formed in 2019 for the purpose of investing in Hungry Planet Holdings, Inc., a Delaware corporation producing plant-based protein food products. The general partner of ICHLP is ITCANHAPPEN GP LLC ("ICHGP"). ICHGP serves as investment adviser to ICHLP but is exempt from registration under applicable federal and state law. ICHGP is controlled by BJ & Co., which is in turn controlled by Butcher and Strycharz. Currently, Laffer Tengler Investments does not provide any services to any of the ICHLP or ICHGP (collectively, "ICH Entities"), nor does Laffer Tengler Investments receive any fees from the ICH Entities. Similarly, the ICH Entities do not provide any services to or receive any fees from Laffer Tengler Investments.

BJ & Co. or BJFH may directly sponsor, or indirectly sponsor through one or more affiliated entities, additional future private funds or pooled investment vehicles (together with the OTH Fund, the “BJ Funds”). Such BJ Funds may be formed as domestic or foreign limited partnerships, limited liability companies, corporations or other legal entities. Laffer Tengler Investments may recommend that its clients invest in any of the BJ Funds pursuant to Laffer Tengler Investments lines of service subject to asset-based fees. However, to the extent that Laffer Tengler Investments clients do invest in a BJ Fund and such BJ Fund charges its investors an asset management fee, Laffer Tengler Investments shall waive any asset-based fees due to Laffer Tengler Investments with respect to the total amount invested by such clients in the BJ Funds. The purpose of the foregoing is so that there is no layering of asset management fees. By way of example, if a Laffer Tengler Investments client with \$1 million in total assets subject to Laffer Tengler Investments asset-based fees invests \$100,000 of that \$1 million into a BJ Fund that also charges an asset management fee, then only \$900,000 of the \$1 million shall remain subject to Laffer Tengler Investments asset-based fees from that point forward.

Notwithstanding Laffer Tengler Investments fee waiver policy articulated above, clients and potential clients should recognize the inherent conflicts of interest potentially arising from any instance of Laffer Tengler Investments recommending that its clients invest in the BJ Funds. Due to the common control of Laffer Tengler Investments and the BJ Funds, Laffer Tengler Investments will have an incentive to increase the assets invested in the BJ Funds, thereby not only aiding in the success of the BJ Funds but also increasing the fees payable to the managers and advisers of the BJ Funds. Generally speaking, the BJ & Co.-controlled entities managing and advising the BJ Funds will not only receive asset-based fees from the BJ Funds, but will also be entitled to significant performance allocations and/or carried interest distributions (collectively “Incentive Fees”). In general, Incentive Fees associated with private funds and other pooled investment vehicles can range from 20-40% or greater of such fund or vehicle’s income or profits. Prospective investors in any BJ Fund should carefully review the prospectus or confidential private placement memorandum of the relevant BJ Fund before investing, paying specific attention to all fees payable in connection with such investment.

If there are any material changes to the above relationships that materially affect the operation of Laffer Tengler Investments, or the services provided to Laffer Tengler Investments to its clients, or Laffer Tengler Investments duties to its clients, those changes will be disclosed in this section to the extent they create conflicts of interest between the affiliates, the owners and the clients of Laffer Tengler Investments.

### **Code of Ethics**

LTI, its management and associated persons subscribe to a strict Code of Ethics. Our Code of Ethics is designed to comply with the investment advisory laws and regulations that require firms to act as fiduciaries in transactions with their clients. Our fiduciary duty requires that we act solely in our clients’ best interest and adhere to standards of utmost integrity in our

communications and transactions. These standards ensure that your interests are given precedence.

Laffer Tengler Investments recommends its clients to purchase securities in which a related person has a material financial interest. As discussed in Item 9 above, Laffer Tengler Investments recommends its clients invest in BJ Funds. This presents a conflicts of interest. Due to the common control of Laffer Tengler Investments and the BJ Funds, Laffer Tengler Investments will have an incentive to increase the assets invested in the BJ Funds, thereby not only aiding in the success of the BJ Funds but also increasing the fees payable to the managers and advisers of the BJ Funds. Generally speaking, the BJ & Co.-controlled entities managing and advising the BJ Funds will not only receive asset-based fees from the BJ Funds, but will also be entitled to significant performance allocations and/or carried interest distributions (collectively “Incentive Fees”). For a more complete description of our affiliates and this conflict, please see Item 9 of this brochure.

We adopted our Code of Ethics to specify and prohibit certain types of transactions deemed to create conflicts of interest (or perceived conflicts of interest), as well as to establish reporting requirements and enforcement procedures relating to personal transactions by our personnel. Our Code of Ethics also establishes our ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. Among other things, our Code of Ethics addresses such issues as professional standards, insider trading, gifts and entertainment, and fiduciary duties. We will provide a copy of our complete Code of Ethics to any client or prospective client upon request. For more information, please see Item 11 of Form ADV Part 2A.

### **Brokerage Practices**

LTI does not maintain custody of your assets that we manage. However, for certain regulatory purposes we are deemed to have custody of your assets if you give us authority to withdraw assets from your account. Your assets will be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that our clients use Pershing LLC (“Pershing”, or “Custodian”), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with the Custodian. The Custodian will typically hold your assets in a brokerage account and will buy and sell securities when we instruct them to do so. While we recommend that you use the Custodian as custodian/broker, you will decide whether to do so and open your account with the Custodian by entering into an account agreement directly with the Custodian. We do not open the account for you. Even though your account is maintained at the Custodian, we can still use other brokers to execute trades for your account as described below (see “Your Brokerage and Custody Costs”). For example, we may execute bond purchase transactions through another broker but will settle the transaction at the Custodian.

### **How We Select Brokers/Custodians**

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (buy and sell securities for your account);
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.);
- Availability of investment research and tools that assist us in making investment decisions;
- Quality of services;
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
- Reputation, financial strength, and stability;
- Prior service to us and our other clients; and
- Availability of other products and services that benefit us, as discussed below (see “Products and services available to us from the Custodian”).

### **Your Brokerage and Custody Costs**

For our clients’ accounts that the Custodian maintains, the Custodian generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your account. Generally, LTI pays these fees on behalf of the Client as part of the Wrap Fee it receives. Fees included in the Wrap Fee include transaction fees for the purchase or sale of securities, but do not include expenses related to the use of margin, wire transfer fees, the fees charged to shareholders of mutual funds or ETFs, mark-ups and mark-downs, spreads, odd-lot differentials, fees charged by regulatory agencies, and any transaction fees for securities trades executed by a broker-dealer other than our recommended qualified custodian.

For all client accounts, the Custodian may charge you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer, but where the securities bought or the funds from the securities sold are deposited (settled) into your account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we anticipate having the Custodian execute most trades for your account.



The commissions paid by LTI's clients comply with the Firm's duty to obtain "best execution." 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 Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness, as well as the factors listed above under the heading "How We Select Brokers/Custodians." LTI seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions. Clients may pay commissions that are higher than another qualified Financial Institution might charge to affect the same transaction. LTI has determined, however, that the commissions are reasonable in relation to the value of the brokerage and research services received. LTI periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Products and Services Available to us from the Custodian**

The Custodian provides our clients and us with access to the Custodian's institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to the Custodian's retail customers. The Custodian also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. The Custodian's support services are generally available on an unsolicited basis (i.e. we don't have to request them) and at no charge to us. The following is a more detailed description of the Custodian's support services:

#### **Services that benefit you**

The Custodian's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the Custodian include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The Custodian's services described in this paragraph generally benefit you and your account.

#### **Services that may not directly benefit you**

The Custodian also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both the Custodian's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at the Custodian. In addition to investment research, the Custodian also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;

- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping, and client reporting.

#### Services that generally benefit only us

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

- Educational conferences and events;
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

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

#### Our interest in the Custodian's services

The availability of these services from the Custodian benefits us because we do not have to produce or purchase them. We don't have to pay for the Custodian's services. We may have an incentive to recommend that you maintain your account with the Custodian, based on our interest in receiving the Custodian's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of the Custodian as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of the Custodian's services (see "How we select brokers/custodians") and not the Custodian's services that benefit only us.

#### Custodial Referral Services

An affiliate of Pershing, BNY Mellon, National Association ("BNY Mellon") has an arrangement with Pershing where it makes available to LTI Clients securities-based and residential mortgage loans. Under this arrangement, any negotiations shall be strictly between BNY Mellon and Client, and LTI will not be a participant in such agreements. LTI will assist Clients in preparing documents, however, LTI is not compensated for the above-stated referrals and only receives the benefit described above as a result of its relationship with Pershing.

#### Fiduciary Obligations and Conflicts of Interest

As a fiduciary, we endeavor to act in our client's best interests. This may cause a conflict of interest as we may want to place more client accounts with a broker-dealer/custodian such as the Custodian, solely because of the added benefits described above. As such, LTI may have

an incentive to select or recommend a broker-dealer based on interests in receiving the research or other products or services (as described above in Item 12), rather than on clients' interest in receiving most favorable execution. LTI attempts to mitigate this potential conflict by performing regular reviews of execution services and value clients receive to ensure clients are receiving the best possible value for costs paid. The value to all of our clients of these benefits is included in our evaluation of custodians. Products and services received from broker-dealers and custodians will generally be used for the benefit of all clients. However, it is possible that a given client's trades will generate "soft dollars" that LTI may use to acquire products and/or services that are not ultimately utilized for that same client's account. "Soft dollars" provide additional value and are accordingly considered in determining which broker-dealer or custodian to utilize as part of our best execution analysis. However, we monitor and periodically assess the totality of these benefits, including particularly those that inure directly or indirectly to our clients, to assure that the continued recommendation of the Custodian, such other broker-dealer or such other third-party manager is in our clients' best interests.

#### **Additional Custodians or Broker-Dealers**

Clients may also direct us in writing to use a particular broker-dealer. If clients prefer to utilize their own broker-dealer, we will notify the broker-dealer of our adviser-client relationship. Typically, however, we recommend the broker-dealer to be used to execute transactions in the client's account. A broker-dealer selected by the Client may not achieve the most favorable execution of client transaction and may cost clients more money.

#### **Block Trading**

With the possible exception of newly-funded accounts, LTI may enter trades as a block where possible and when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rata basis between all accounts included in any such block, and execution price is averaged for all accounts. Block trading allows LTI to execute equity trades in a more timely, equitable manner, and may reduce overall costs to clients. LTI will (prior to trade execution) have written allocation procedures for bond trades.

#### **Participation or Interest in Client Transactions**

Except as discussed above under "Other Financial Industry Activities and Affiliations," LTI does not recommend that clients buy or sell securities in which a person related to LTI may have a material financial interest.

#### **Proprietary Trading**

LTI and its associated persons are permitted to buy or sell securities that they also recommend to clients consistent with the firm's policies and procedures. We will always document any transactions that could be construed as a potential conflict of interest. To mitigate or remedy any actual or potential conflicts of interest, we will monitor trading reports for adherence to our Code of Ethics.

### **Simultaneous Trading**

From time to time, the Firm and its representatives may buy or sell securities for their own accounts at or around the same time as clients buy or sell the same securities. In any instance where such securities are purchased or sold we will uphold our fiduciary duty by always ensuring that transactions are beneficial to the interest of our clients and that neither the sequence nor timing of execution or any other factor results in a benefit to LTI or our associated persons.

### **Review of Accounts**

LTI reviews client account activity at least annually. The Chief Compliance Officer or his designee will review all accounts. Our reviews consist of determining whether your portfolios and strategies continue to align with your investment goals and objectives. If reallocation of investments is necessary, we may either buy and/or sell or contact you to buy and/or sell other investments that would result in a portfolio that is more appropriate for your investment goals and objectives.

Clients will receive transaction confirmations from the account custodian shortly after executing purchases or sales. Additionally, the account custodian will send quarterly statements for each quarter. These statements will provide details regarding account activity, holdings, and performance.

LTI issues quarterly performance reports to clients electronically on the client login portal in PDF format. Written reports are also available upon client request. Reports will show all positions at the end of the quarter, all transactions during the quarter and beginning positions at the beginning of the quarter. We encourage you to compare the information on any reports prepared by LTI against the information in the statements provided directly from the account custodian and alert us of any discrepancies.

### **Client Referrals and Other Compensation**

LTI does not compensate any person for client referrals.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from investment managers and distributors of investment products. Travel expense

reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the relationship with the investment manager instead of what is in the best interest of our clients. We control for this conflict by always basing investment decisions on the individual needs of our clients.

Other than as described above, LTI does not receive, and does not have any arrangement to receive, economic benefits (such as sales awards or other prizes) from any third party for providing investment advice or other advisory services to our clients.

### **Financial Information**

LTI is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$500 in fees six months or more in advance of services rendered;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.