



## **Bridgeworth, LLC**

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**March 30, 2020**

### **FORM ADV PART 2A BROCHURE**

This firm brochure provides information about the qualifications and business practices of Bridgeworth, LLC. Questions about the contents of this brochure please contact Tomonica Stoudemire, Chief Compliance Officer, at (205) 208-8700 or email [mstoudemire@bridgeworthfinancial.com](mailto:mstoudemire@bridgeworthfinancial.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 Bridgeworth, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Bridgeworth, LLC is 164100 or SEC# 801-76956.

Bridgeworth, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Bridgeworth, LLC is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Since our last annual updating amendment of March 28, 2019, we have made the following changes to our Brochure:

- We added disclosures related to the use of margin and securities backed lines of credit as follows, "Bridgeworth, LLC can recommend that certain clients utilize margin in the client's investment portfolio or other borrowing such as non-purpose loans. Bridgeworth, LLC can accomplish this recommendation through two ways, either a securities-backed line of credit or a margin loan, both have specific risks to consider. Bridgeworth, LLC only recommends such borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm's fees are determined based upon the value of the assets being managed net of any margin or borrowing. The Firm will not, however, charge fees to accounts that, as a result of outstanding margin or borrowing, reflect a negative balance. Please refer to the *Methods of Analysis, Investment Strategies and Risk of Loss* section for additional details on the use of margin and securities-backed lines of credit."
- Additionally, we amended the *Client Referrals and Other Compensation* section to disclose our employee referral program as follows, "We have entered into contractual arrangements with employees of our firm, under which the individual receives compensation from us for the establishment of new client relationships. Employees who refer clients to us must comply with the requirements of the jurisdictions where they operate. The employee will receive a one-time bonus of 15% of the first year projected revenue for a new client relationship. This is calculated by multiplying the applicable annual advisory fee by the assets under management. the projected advisory fee is then multiplied by 15% resulting in the one-time bonus amount. You will not be charged additional fees based on this compensation arrangement. Incentive based compensation is contingent upon you entering into an advisory agreement with us. Therefore, the individual has a financial incentive to recommend us to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain us for advisory services. Comparable services and/or lower fees may be available through other firms."

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## Item 4 Advisory Business

### Description of Firm

Bridgeworth, LLC is a registered investment adviser primarily based in Birmingham, Alabama. We are organized as a limited liability company ("LLC") under the laws of the State of Alabama. We have been providing investment advisory services since 2012 and are owned by the following:

DeLynn Zell  
David Wayne Harris  
Henry Ware  
Jeffrey McCormack  
Brian Hinson  
Jennifer Sneed  
Charles Zachary Ivey  
James Samuel Fitch  
William O'Neal Hocutt  
Robert W. Johnson  
Jeris B. Gaston

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to Bridgeworth, LLC and our Investment Adviser Representatives and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### Description of the Types of Advisory Services We Offer

Our firm provides a variety of investment advisory services including Comprehensive Portfolio Management, Financial Planning and Consulting, Retirement Plan Consulting and Employee Benefit Consulting. Bridgeworth may recommend National Advisors Trust Company (NATC) to clients in need of trust administration or other custody services.

If suitable, referrals to affiliated and unaffiliated money managers may be made through approved managed account platforms and wrap programs. Money managers selected under these programs will have discretion to determine the securities they will buy and sell within the account(s) in order to accomplish the client's investment objectives, subject to restrictions imposed by the client.

Our firm maintains a list of approved broker-dealer/custodians which includes LPL Financial and Charles Schwab for which clients may choose to hold their assets. NATC offers its trust administration services via the following custodian platforms: Schwab, Fidelity and TD Ameritrade as well as on its own proprietary platform. The broker-dealer/custodians chosen by the client from the approved list do not have discretionary authority over assets included in the programs, although the money managers chosen will have this discretionary authority. Notwithstanding, if the client is referred to a third party manager; trades may be executed for the client's account at a broker-dealer/custodian outside the approved list subject to prior consent by Bridgeworth, LLC.

Clients are advised that the same or similar programs or services as those described herein may be available from other investment advisors for an annual fee lesser or greater than set forth herein, and that the programs described in this brochure may cost the client more or less than purchasing the difference services within each program separately depending upon such factors as trading activity, account size, portfolio management fees, mutual fund load or non-load charges, etc.

### **Comprehensive Portfolio Management Services**

Our Comprehensive Portfolio Management service encompasses asset management on a discretionary or non-discretionary basis. It is designed to assist clients in meeting their financial goals through the use of financial investments. We conduct at least one, but sometimes more than one meeting (in person, telephone or video conference, or via email) with clients in order to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we will propose an investment approach to you. The investment approach, guidelines and restrictions will form the investment objectives of the account.

Upon the client's agreement to the proposed investment plan, we will work with the client to establish or transfer investment accounts so that we can manage the client's portfolio. Once the relevant accounts are under our management, we review such accounts on an ongoing basis and at least annually. We may periodically rebalance or adjust client accounts under our management. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client's investments.

You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in an investment portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Since it is our policy to prohibit our advisers from soliciting or making discretionary purchases of securities which are \$2.00 or less in value, clients wishing to purchase these securities must provide their adviser with written trade authorization. Restrictions would be limited to our Investment Management services. We do not manage assets through our other services.

If you participate in our discretionary portfolio management services, we require you to grant us discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without obtaining your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

In addition to other types of investments, we may invest your assets according to one or more model portfolios developed by our firm. These models are designed for investors with varying degrees of risk tolerance ranging from a more aggressive investment strategy to a more conservative investment approach. Clients whose assets are invested in model portfolios may not set restrictions on the specific holdings or allocations within the model, nor the types of securities that can be purchased in the model. Nonetheless, clients may impose restrictions on investing in certain securities or types of securities in their account. In such cases, this may prevent a client from investing in certain models that are managed by our firm.

### **Financial Planning and Consulting Services**

We provide a variety of financial planning and consulting services to individuals, families and other clients regarding the management of their financial resources. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's current situation, financial goals and objectives. This planning or consulting may

encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Personal Tax Planning, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning, Review of Employee Benefit Plans, and other planning and consulting services as requested by the client and agreed to by the Financial Advisor.

Our financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the client begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. We refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For financial planning clients, we provide a written summary of the client's financial situation, our observations, and recommendations. For financial consulting clients, we usually do not provide a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

Financial planning and consulting services are based on the client's current financial situation and the information disclosed by the client to Bridgeworth at time of engagement. Clients are advised plans may contain certain assumptions that may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is not a guarantee of future performance and Bridgeworth cannot guarantee that the client's financial goals and objectives will be met. The client should notify the adviser promptly upon any changes in the client's financial situation, goals or objectives.

Clients who engage Bridgeworth on a fee for service basis for financial planning and consulting services are under no obligation to use Bridgeworth for investment management or brokerage services, purchase insurance or take any other action as recommended by the adviser.

#### Bridgeworth Access Program

The Bridgeworth Access program is designed for clients that are on track to meet their target client profile in the near future, but may not currently meet the firm's required minimums. The Bridgeworth Access Program may also be offered to family members of selected clients. The program will provide assistance with goal setting and monitoring, analysis of employee benefits, debt management, cash flow planning, college planning, and mortgage consulting with a strong emphasis on basic financial education. A review and ongoing touchpoints will be planned throughout the year to ensure goals are tracking. The program also provides clients access to their own personal financial website with cash flow and net worth trackers. The Bridgeworth Access Program may include asset management services, if needed. Bridgeworth Access Program clients who ultimately engage Bridgeworth for investment management services however are under no obligation to do so.

#### **Selection of Other Advisers**

Our firm utilizes the services of various third party managers for the management of certain client accounts. Investment advice and trading of securities will only be offered by or through the chosen third party manager. Our firm will not offer advice on any specific securities or other investments in connection with this service. Prior to referring clients, our firm will provide initial due diligence on third party money managers and ongoing reviews of their management of client accounts. In order to assist in the selection of a third party manager, we will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

We will review third party money manager reports provided to the client at least annually. We will contact clients from time to time in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and assist the client in understanding and evaluating the services provided by the third party money manager. Clients will be expected to notify our firm of any changes to their financial situation, investment objectives, or account restrictions that could affect their financial standing.

### **LPL Financial Sponsored Advisory Programs**

When appropriate, we have the ability to provide advisory services through certain programs sponsored by LPL Financial, LLC ("LPL"), a registered investment adviser and broker-dealer, member FINRA/SIPC. Below is a brief description of each LPL advisory program available to us. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs, please see the program account packet (which includes the account agreement and LPL Form ADV program brochure) and the Form ADV, Part 2A of LPL or the applicable program. LPL's applicable paperwork and client agreement shall not become effective until acceptance by us as evidenced by the signature of an authorized representative.

- **Manager Access Select Program (MAS)**

Manager Access Select provides clients access to the investment advisory services of professional portfolio management firms for the individual management of client accounts. We will assist client in identifying a third party portfolio manager (Portfolio Manager) from a list of Portfolio Managers made available by LPL Financial. The Portfolio Manager manages client's assets on a discretionary basis. We will provide initial and ongoing assistance regarding the Portfolio Manager selection process. A minimum account value of \$100,000 is required for Manager Access Select, however, in certain instances, the minimum account size may be lower or higher.

- **Optimum Market Portfolios Program (OMP)**

OMP offers clients the ability to participate in a professionally managed asset allocation program using Optimum Funds Class I shares. Under OMP, the client will authorize LPL Financial on a discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by the client. We will assist the client in determining the suitability of OMP for the client and assist the client in setting an appropriate investment objective. Adviser will have discretion to select a mutual fund asset allocation portfolio designed by LPL consistent with the client's investment objective. LPL Financial will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for the client. LPL Financial will also have authority to rebalance the account. A minimum account value of \$10,000 is required for OMP.

- **Model Wealth Portfolios Program (MWP)**

MWP offers clients a professionally managed mutual fund asset allocation program. We will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP program and assist the client in setting an appropriate investment objective. We initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL Financial's Research Department consistent with the client's stated investment objective.

LPL Financial's Research Department is responsible for selecting the mutual funds within a model portfolio and for making changes to the mutual funds selected. The client will authorize LPL Financial to act on a discretionary basis to purchase and sell mutual funds, including in certain circumstances

exchange traded funds and to liquidate previously purchased securities. The client will also authorize LPL Financial to effect rebalancing for MWP accounts.

The MWP program makes available model portfolios designed by strategists other than LPL Financial's Research Department. We will have discretion to choose among the available models designed by LPL and outside strategists. The MWP minimum account value varies by model and, depending upon the model, will be \$25,000 to \$100,000. In certain instances, a lower minimum account size for a portfolio is permitted.

- **Personal Wealth Portfolios Program (PWP)**

PWP offers clients an asset management account using asset allocation model portfolios designed by LPL Financial. We will have discretion for selecting the asset allocation model portfolio based on client's investment objective. We will also have discretion for selecting third party money managers (PWP advisors) or mutual funds within each asset class of the model portfolio. LPL Financial will act as the overlay portfolio manager on all PWP accounts and will be authorized to purchase and sell on a discretionary basis mutual funds and equity and fixed income securities. A minimum account value of \$250,000 is required for PWP.

- **Guided Wealth Portfolios (GWP)**

GWP offers clients the ability to participate in a centrally managed, algorithm-based investment program, which is made available to users and clients through a web-based, interactive account management portal ("Investor Portal"). Investment recommendations to buy and sell open-end mutual funds and exchange-traded funds are generated through proprietary, automated, computer algorithms (collectively, the "Algorithm") of Xulu, Inc., doing business as FutureAdvisor ("FutureAdvisor"), based upon model portfolios constructed by LPL and selected for the account as described below (such model portfolio selected for the account, the "Model Portfolio"). Communications concerning GWP are intended to occur primarily through electronic means (including but not limited to, through email communications or through the Investor Portal), although Bridgeworth, LLC will be available to discuss investment strategies, objectives or the account in general in person or via telephone.

A preview of the Program (the "Educational Tool") is provided for a period of up to forty-five (45) days to help users determine whether they would like to become advisory clients and receive ongoing financial advice from LPL, FutureAdvisor and Bridgeworth, LLC by enrolling in the advisory service (the "Managed Service"). The Educational Tool and Managed Service are described in more detail in the GWP Program Brochure. Users of the Educational Tool are not considered to be advisory clients of LPL, FutureAdvisor or Bridgeworth, LLC, do not enter into an advisory agreement with LPL, FutureAdvisor or Bridgeworth, LLC, do not receive ongoing investment advice or supervisions of their assets, and do not receive any trading services. A minimum account value of \$5,000 is required for GWP.

Access to the Educational Tool is limited to a period of forty-five (45) days. The Educational Tool is intended to be used for educational and informational purposes only. The Educational Tool does not provide comprehensive financial planning and is not intended to constitute legal, financial or tax advice. There may be other relevant factors and financial considerations (e.g., debt load or financial obligations) that LPL, FutureAdvisor and Bridgeworth, LLC do not take into consideration in formulating any Sample Recommendations provided.



### Selection of Future Advisor as Third-Party Robo-Advisor

While many robo platform's exist, Bridgeworth selected Guided Wealth Portfolios ("GWP") as it provided a holistic platform that had robust investment management trading technology, the backing of LPL Research to build and manage the portfolios today over time for clients (a glidepath), client education and service, and was designed specifically for retirement accumulation. Under Bridgeworth LLC's agreement with LPL, Bridgeworth LLC was provided the opportunity to offer GWP, which utilizes FutureAdvisor's Algorithm as described herein, to prospective clients. Bridgeworth LLC is not otherwise affiliated with FutureAdvisor. FutureAdvisor is compensated directly by LPL for its services, including the Algorithm and related software, through an annual sub-advisory fee (tiered based on assets under management by FutureAdvisor, at a rate ranging from 0.10% to 0.17%). As each asset tier is reached, LPL's share of the compensation shall increase and clients will not benefit from such asset tiers. No additional fee is charged for FutureAdvisor's services.

Bridgeworth, LLC believes that certain clients will benefit from GWP's advisor-enhanced advisory services, particularly due to the relatively low minimum account balance and the combination of a digital advice solution with access to an advisor. Unlike direct-to-consumer robo platforms, Bridgeworth, LLC is responsible on an ongoing basis as investment advisor and fiduciary for the client relationship, including for recommending the program for the client; providing ongoing monitoring of the program, the performance of the account, the services of LPL and FutureAdvisor; determining initial and ongoing suitability of the program for the client; reviewing clients' suggested portfolio allocations; reviewing and approving any change in Investment Objective due to changes clients make to their Client Profile; answering questions regarding the program, assisting with paperwork and administrative and operational details for the account; and being available to clients to discuss investment strategies, changes in financial circumstances, objectives or the account in general in person or via telephone. Bridgeworth, LLC can also recommend other suitable investment programs if clients have savings goals or investment needs for which GWP is not the optimal solution.

### Potential Conflicts of Interest

Transactions in LPL advisory program accounts are generally effected through LPL as the executing broker-dealer.

We receive compensation as a result of a client's participation in an LPL program depending on, among other things, the size of the account, changes in value over time, and the ability to negotiate fees or commissions. The amount of this compensation may be more or less than what we would receive if the client participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services.

Clients should consider the level and complexity of the advisory services to be provided when negotiating the account fee with the Advisor. With regard to accounts utilizing third-party portfolio managers under aggregate, all-in-one account fee structures, because the portion of the account fee retained by the Advisor varies depending on the portfolio strategist fee associated with a portfolio, the Advisor has a financial incentive to select one portfolio instead of another portfolio.

### **Retirement Plan and Pension Consulting Services**

We provide retirement plan and pension consulting services to employer plan sponsors on an ongoing basis. Generally, such pension consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure and participant education. Retirement Plan and Pension Consulting services typically include:

- Establishing an Investment Policy Statement - our firm will assist in the development of a

statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet the objectives.

- Investment Options - our firm will work with the Plan Sponsor to evaluate existing investment options and make recommendations for appropriate changes.
- Asset Allocation and Portfolio Construction - our firm will develop strategic asset allocation models to aid Participants in developing strategies to meet their investment objectives, time horizon, financial situation and tolerance for risk.
- Investment Monitoring - our firm will monitor the performance of the investments and notify the client in the event of over/under performance and in times of market volatility.

In providing services for retirement plan and pension consulting, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITs), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs (collectively, "Excluded Assets").

All retirement plan and pension consulting services shall be in compliance with the applicable state law(s) regulating pension consulting services. This applies to client accounts that are pension or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and we accept appointments to provide our services to such accounts, we acknowledge that we are a fiduciary within the meaning of Section 3(21) of ERISA (but only with respect to the provision of services described in the Pension Consulting Agreement).

#### Participant Investment Consulting Service ("PICS")

Our PICS service renders professional advice to retirement plan participants in accordance with the client's personal investment objectives and will not be acting as a fiduciary under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and the Investment Advisers Act of 1940. The consultation services offered by our firm will be limited to providing information about the retirement plan, general financial and investment information, asset allocation models, and investment materials. PICS will be limited to recommendations for the following investment options available under the plan, as applicable: mutual funds, exchange traded funds, allocations among annuity sub-accounts, collective investment trusts, pooled separate accounts, publicly traded stock of the sponsor of the plan or its affiliate ("company stock"), and other securities that may be available in brokerage windows or other similar plan arrangements that enable participants to select investments beyond those designated by the Plan.

These services are intended to educate the Client and assist them in assessing their future retirement income needs and the impact of different asset allocations on retirement income. We may provide educational information to the Client regarding the possible distribution of Client's plan assets, the transfer of assets to an individual retirement account ("IRA"), and/or engagement of our firm to provide advisory services with respect to an IRA account. To the extent that Client receives such information, Client acknowledges that we are not recommending one option over another and further acknowledges that it is important to consider upon termination with the employer sponsoring the plan that client has options such as: remaining invested in the plan, transferring assets to a defined contribution plan or to an IRA or withdrawing assets with possible IRS penalties. We do not provide ongoing consulting or management services or have discretionary authority with respect to Client's retirement plan assets. Client is solely responsible for determining whether to implement any of the recommendations made and for placing and executing such transactions.

### Investment Advice to Employee Benefit Plans

Since we may render investment advice to employee benefit plans under Section 4975(e)(3)(B) of the Internal Revenue Code, we act as a fiduciary within the meaning of section 3(21)(A)(ii) of the Advisers Act. As such, we must act "with the care, skill, prudence and diligence under the circumstance then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims" (ERISA 404(a)(1)(B)).

### **Wrap Fee Program(s)**

We are a portfolio manager to and sponsor of a wrap fee program, which is a type of investment program that provides clients with access to several money managers or mutual fund asset allocation models for a single fee that includes administrative fees, management fees, and commissions. Our Wrap Fee Program is only available to Legacy clients that have been participating in the program prior to July 1, 2018. The Wrap Fee Program is closed to new investors.

### **Types of Investments**

We primarily offer advice on mutual funds, exchange traded funds ("ETFs"), stock, bonds, options and other public or private securities. Refer to the *Methods of Analysis, Investment Strategies and Risk of Loss* below for additional disclosures on this topic.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

### **Assets Under Management**

As of December 31, 2019, we provide continuous management services for \$1,447,694,021 in client assets on a discretionary basis, and \$3,411,281 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **Comprehensive Portfolio Management Services**

Our fee for portfolio management services is based on a percentage of the assets in your account and is set forth in the following annual fee schedule:

**Annual Fee Schedule**

<b>Assets Under Management</b>	<b>Annual Fee</b>
\$0 - \$500,000	Up to 1.35%
\$500,001 - \$1,000,000	Up to 1.20%
\$1,000,001 - \$2,000,000	Up to 1.15%
\$2,000,001 - \$3,000,000	Up to 0.96%
\$3,000,001 - \$5,000,000	Up to 0.88%
\$5,000,001 - \$10,000,000	Up to 0.74%
\$10,000,001 - \$20,000,000	Up to 0.54%
Over \$20,000,000	Negotiable

Our annual portfolio management fee is billed and payable, quarterly in advance, based on the balance on the last day of the previous quarter. If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

As part of this process, clients are made aware of the following:

- Your Qualified Custodian sends quarterly statements to you showing all disbursements for your account, including the amount of the advisory fees paid to us;
- Adjustments will be made for deposits and withdrawals in your accounts;
- You provide authorization permitting us to be directly paid by these terms;
- If we send a copy of our invoice to you, it will include a legend urging you to compare information provided in our statement with those from the Qualified Custodian;
- LPL Financial will calculate and deduct advisory fees for accounts custodied with them. We use Orion Advisor Services to calculate fees that Schwab deducts from accounts custodied with them; and
- In certain circumstances we allow direct billing as an option to our Investment Management clients.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

Either party may terminate the portfolio management agreement upon written notice. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Financial Planning and Consulting Services**

We generally charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge, is based on the scope and complexity of the engagement. Our hourly fees range between \$150 and \$250 for financial advice. Flat fees generally range from \$2,500 to \$20,000 and may be lower at the discretion of the advisor. In certain cases our consulting fee may be calculated as a percentage of the assets. Financial planning and consulting services may be ongoing and are indicated in the advisory agreement. For ongoing services, we generally bill quarterly in advance in the absence of an ACH debit authorization from Client.

We require an initial payment of fifty-percent (50%) of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to the client and due to us within thirty (30) days of the financial plan being delivered or consultation rendered. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months. At our discretion, we may offset our financial planning fees to the extent you implement the financial plan through our Portfolio Management Service.

Either party may terminate the financial planning and consulting services agreement upon written notice. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

#### Bridgeworth Access Program

Bridgeworth Access agreement allows for a reduction from our usual planning fee for the first year with an initial payment of \$500 once the initial plan is completed and a monthly charge ranging between \$65 and \$85 beginning in the second month and continuing through the engagement period as determined by the adviser and client. Family pricing for asset management is available to children of existing clients. We will not require prepayment of a fee more than six months in advance and in excess of \$1,200.

You may terminate the financial planning and consulting services agreement or the Bridgeworth Access Program agreement upon written notice to our firm. If you have pre-paid financial planning fees that we have not yet earned, you will receive a prorated refund of those fees. If financial planning fees are payable in arrears, you will be responsible for a prorated fee based on services performed prior to termination of the financial planning agreement. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the negotiated hourly rate. You will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

#### **Selection of Other Advisers**

We do not charge you a separate fee for the selection of other advisers. We will share in the advisory fee you pay directly to the third party money managers ("TPMM"). The advisory fee you pay to the TPMM is established and payable in accordance with the brochure provided by each TPMM to whom you are referred. These fees may or may not be negotiable. Our compensation may differ depending upon the individual agreement we have with each TPMM. As such, a conflict of interest exists where our firm or persons associated with our firm has an incentive to recommend one TPMM over another TPMM with whom we have more favorable compensation arrangements or other advisory programs offered by TPMMs with whom we have less or no compensation arrangements. The TPMMs we recommend will not directly charge you a higher fee than they would have charged without us introducing you to them.

You may be required to sign an agreement directly with the recommended TPMM(s). You may terminate your advisory relationship with the TPMM according to the terms of your agreement with the TPMM. You should review each TPMM's brochure for specific information on how you may terminate your advisory relationship with the TPMM and how you may receive a refund, if applicable. You should contact the TPMM directly for questions regarding your advisory agreement with the TPMM.

#### **LPL Financial Sponsored Advisory Programs**

The account fee charged to the client for each LPL advisory program is negotiable, subject to the following maximum account fees:

Manager Access Select	3.00%
OMP	2.50%
MWP	2.83%*
PWP	2.50%
GWP	1.35%**

\* The MWP account fee consists of an LPL program fee, a strategist fee (if applicable) and an advisor fee of up to 2.00%. Accounts remaining under the legacy fee structure may be charged one aggregate account fee, for which the maximum account fee is 2.50%. See the MWP program brochure for more information.

\*\* GWP Managed Service clients are charged an account fee consisting of an LPL program fee of 0.35% and an advisor fee of up to 1.00%. In the future, a strategist fee may apply. However, LPL Research currently serves as the sole portfolio strategist and does not charge a fee for its services. FutureAdvisor is compensated directly by LPL for its services, including the Algorithm and related software, through an annual sub-advisory fee (tiered based on assets under management by FutureAdvisor, at a rate ranging from 0.10% to 0.17%). As each asset tier is reached, LPL's share of the compensation shall increase and clients will not benefit from such asset tiers.

Bridgeworth, LLC and LPL may share in the account fee and other fees associated with program accounts. Associated persons of Bridgeworth, LLC may also be registered representatives of LPL.

#### Potential Conflicts of Interest with LPL Programs

Advisor receives compensation as a result of a client's participation in an LPL program. Depending on, among other things, the type and size of the account, type of securities held in the account, changes in its value over time, the ability to negotiate fees or commissions, the historical or expected size or number of transactions, and the number and range of supplementary advisory and client-related services provided to the client, the amount of this compensation may be more or less than what the Bridgeworth, LLC would receive if the client participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services.

Clients should consider the level and complexity of the advisory services to be provided when negotiating the account fee (or the advisor fee portion of the account fee, as applicable) with Bridgeworth, LLC. With regard to accounts utilizing third-party portfolio managers under aggregate, all-in-one account fee structures (including MAS, PWP and the legacy MWP fee structure), because the portion of the account fee retained by Bridgeworth, LLC varies depending on the portfolio strategist fee associated with a portfolio, Bridgeworth, LLC has a financial incentive to select one portfolio instead of another portfolio.

#### **Retirement Plan and Pension Consulting and PICS**

We generally charge on an hourly or a flat fee basis for pension consulting services. The total estimated fee, as well as the ultimate fee that we charge, is based on the scope and complexity of our engagement. Our hourly fees range between \$150 and \$250 for financial advice. Our flat fees generally range from \$750 to \$10,000 for Pension Consulting and a maximum of \$5,000 for PICS. Flat fees are charged annually for ongoing pension consulting services. In certain cases, our consulting fee may be calculated by a percentage of the assets for which the consultations are provided and generally range between 1% and 3%. All pension consulting fees are at the discretion of Bridgeworth, LLC.

The fee-paying arrangements for pension consulting service will be determined on a case-by-case basis and will be detailed in the signed Pension Consulting Agreement. The client will be invoiced directly for the fees.

You may terminate the Participant Investment Consulting Service Agreement upon written notice to our firm. If you have pre-paid pension consulting fees that we have not yet earned, you will receive a prorated refund of those fees. If the pension consulting fees are payable in arrears, you will be responsible for a prorated fee based on services performed prior to termination of the pension

consulting agreement. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the negotiated hourly rate. You will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

### **Use of Margin or Securities-Backed Lines of Credit**

Bridgeworth, LLC can recommend that certain clients utilize margin in the client's investment portfolio or other borrowing such as non-purpose loans. Bridgeworth, LLC can accomplish this recommendation through two ways, either a securities-backed line of credit or a margin loan, both have specific risks to consider. Bridgeworth, LLC only recommends such borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm's fees are determined based upon the value of the assets being managed net of any margin or borrowing. The Firm will not, however, charge fees to accounts that, as a result of outstanding margin or borrowing, reflect a negative balance. Please refer to the *Methods of Analysis, Investment Strategies and Risk of Loss* section for additional details on the use of margin and securities-backed lines of credit.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

### **Compensation for the Sale of Securities or Other Investment Products**

Certain persons providing investment advice on behalf of our firm are registered representatives with LPL, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons receive compensation in connection with the purchase and sale of securities or other investment products, including asset-based sales charges, service fees or 12b-1 fees, for the sale or holding, of mutual funds. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. Please refer to your investment adviser representative's ADV 2B Disclosure Brochure for full disclosure of material outside business activities and the conflicts of interest associated with those activities, if applicable.

This practice presents a conflict of interest because persons providing investment advice to advisory clients on behalf of our firm who are registered representatives have an incentive to recommend investment products based on the compensation received rather than solely based on your needs. Persons providing investment advice to advisory clients on behalf of our firm can select or recommend, and in many instances will select or recommend, mutual fund investments in share classes that pay 12b-1 fees when clients are eligible to purchase share classes of the same funds that do not pay such fees and are less expensive.

This presents a conflict of interest. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm who receives compensation described above.

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Certain persons providing investment advice on behalf of our firm are Certified Public Accountants ("CPAs"). These persons will earn additional compensation for providing income tax preparation or accounting services to you. Compensation earned by these persons in their capacity as CPAs is separate and in addition to our advisory fees. This presents a conflict of interest. You are under no obligation, contractually or otherwise, to contract for tax or accounting services through any person affiliated with our firm. Please see the *Other Financial Industry Activities and Affiliations* section for additional information.

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

We do not charge performance fees to our clients.

## **Item 7 Types of Clients**

We have the following types of clients:

- Individual Households;
- High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Pension and Profit Sharing Plans;
- Corporations, limited liability companies and/or other business types.

Our requirements for opening and maintaining accounts or otherwise engaging us:

- Minimum account balance of \$250,000 for our Investment Management services;
- Minimum of \$50,000 with each portfolio manager;
- Minimum fee of \$2,500 for written financial plans;
- Generally, these minimums may be waived or reduced at the advisers' discretion.
- LPL Financial Sponsored Advisory Programs typically have account balance minimums, as indicated above under the *Advisory Business* section. These minimums are at the discretion of LPL.

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

### **Our Methods of Analysis and Investment Strategies**

Our investment analysis and portfolio construction process seeks to balance the investor's risk tolerance and current resources capacity with their quest for reasonable investment returns.

Our investment strategies and analysis are developed and conducted by our Investment Committee. We utilize quantitative analysis which may include analysis of management expertise, industry cycles, strength of research and development, as well as, fundamental analysis and research which includes reviewing financial analysts' reports to gain insight on the future performance of a security to guide our



investment allocation decisions. We first consider the development of long-term capital market assumptions. We then work with the client to develop strategic asset allocations designed to address risk and reward over a given time period.

Other considerations are used to provide guidance on shorter-term decisions in investment management. These considerations include the timing of rebalancing, investing cash, making distributions, and tactical over or under-weights in the previously developed strategic allocation. These methods include technical analysis (charting current trends and trend reversals), quantitative analysis (reviewing market and economic trends), and global macro analysis of overall economic and political views of various countries.

We consider multiple time horizons, including long, medium, and short term, when determining strategies. Depending on the client's needs, we may employ various risk-management strategies.

We avoid market timing, but may increase cash holdings or tilt allocation slightly when necessary. This is based on the client's risk tolerance and our expectations of market behavior.

The Bridgeworth Model Allocations serve as guidelines. The adviser has discretion to deviate from these asset allocations in order to meet the client's risk and return needs. In most cases, however, the adviser is expected to follow the general asset allocations.

If the client's current investment allocations do not conform to the Bridgeworth Model Allocations (for example due to recent transfer to Bridgeworth, client holding preferences, etc.), the client is made aware that the adviser will make changes to the investment allocations over time considering such circumstances as market environment, tax ramifications, dollar cost averaging ramifications, and the client's wishes regarding particular holdings.

**Securities-Backed Lines of Credit ("SBLOCs")** - A SBLOC is a loan that allows investors to borrow money using securities held in their investment accounts as collateral. An SBLOC requires investors to make monthly interest-only payments, and the loan remains outstanding until it is repaid.

**Risk:** If the value of the securities declines to an amount where it is no longer sufficient to support the line of credit, investors will receive a "maintenance call", a notification that the investor must post additional collateral or repay the loan within a specified period (typically two or three days). If the investor is unable to add additional collateral to the account or repay the loan with readily available cash, the firm can liquidate the securities to satisfy the maintenance call, which may have potential unintended tax consequences and could have a significant impact on an investor's long-term investment goals.

**Margin Transactions or Margin Loans** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. A margin loan can be established on more than one account with the same ownership while maintaining a single margin relationship for regulatory purposes.

**Risk:** If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

**Please Note:** We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low- risk

conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees related to our Investment Management service, as applicable.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

Liquidity Risk: The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

Credit Risk: Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

Inflation and Interest Rate Risk: Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

### **Recommendation of Particular Types of Securities**

We primarily recommend ETFs, and Mutual Funds. However, we may advise on other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its underlying index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their underlying indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its underlying index, or its weighting of investment exposure to such securities may vary from that of the underlying index. Some ETFs may invest in securities or financial instruments that are not included in the underlying index, but which are expected to yield similar performance.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Bonds: Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

Municipal Securities: Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Options Contracts: Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Selling options is more complicated and can be even riskier.

The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk unlimited losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.

- Writers of call options could lose more money than a short seller of that stock could on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or ditch unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.

Money Market Funds: A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

Variable Annuities: A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate and the remainder of the funds accumulated will be forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities

may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds and mutual funds do. Some variable annuities offer "bonus credits." These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges), the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

Real Estate Investment Trust: A real estate investment trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.

## **Item 9 Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

### **Registrations with Broker-Dealer**

Certain persons providing investment advice on behalf of our firm are registered representatives with LPL a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. See the *Fees and Compensation* section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

Clients may maintain multiple accounts with an adviser, some subject to an investment advisory relationship through Bridgewater, while other accounts may operate under a brokerage relationship through LPL. When acting in an investment advisory capacity the adviser is acting under a fiduciary duty to the client where the standard of care when recommending securities to a client is higher than in a brokerage relationship, where the standard is suitability of the recommended security.

Advisers receive production bonuses from LPL upon attaining certain brokerage based production levels. The higher the adviser's brokerage production with LPL the greater the potential exists for obtaining a higher pay-out on commissions earned thus creating a conflict of interest. LPL also pays Bridgewater a production bonus based upon a percentage of commissions and bonuses paid to

advisers. This conflict is mitigated in several ways, for example: all transactions are reviewed by supervisory staff; advisers owe a fiduciary standard of care, and Bridgeworth has policies and procedures in place to monitor the actions of our advisers.

As a result of Bridgeworth's and the adviser's relationship with LPL, LPL has supervisory obligations over certain of Bridgeworth's activities. As such, LPL will have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about Bridgeworth clients even if the client has not established an account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact our Chief Compliance Officer at 205-208-8700. Please refer to your adviser's supplemental brochure for more information about his/her pertinent activities and affiliations.

### **Licensed Insurance Agents**

Some Bridgeworth advisers are also insurance agents. Clients may work with a Bridgeworth adviser in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment adviser may sell, insurance products, for commissions. This receipt of commissions creates an incentive for the representative to recommend those products for which the investment adviser will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to clients could be biased. Clients are under no obligation to purchase insurance or annuity products through a Bridgeworth investment adviser.

### **Certified Public Accountants**

Associated persons of our firm are also separately licensed as a certified public accountant. If you require accounting services, we may recommend that you use the services of an accountant that is associated with our firm. Our advisory services are separate and distinct from the compensation paid for accounting services.

### **Recommendation of Other Advisers**

The compensation paid to our firm by third party money managers may vary, and thus, creates a conflict of interest in recommending a manager who shares a larger portion of its advisory fees over another manager. Prior to referring clients to a third party advisors, our firm will ensure that third party advisors are licensed or notice filed with the respective authorities. A potential conflict of interest in utilizing third party advisors may be an incentive to us in selecting a particular advisor over another in the form of fees or services. In order to minimize this conflict our firm will make our recommendations in the best interest of our clients. Refer to the *Advisory Business* section above for additional disclosures on this topic.

### **National Advisor Trust Company**

Trust services have been established through a relationship with National Advisors Trust Corp. (NATC). Bridgeworth may recommend National Advisors Trust Company to clients in need of trust or other custody services. In such a case, Bridgeworth would typically be named as investment manager with discretion to manage the trust and/or custody accounts and National Advisors Trust Company would be charged with the administration, distribution and custodial responsibilities of the trust and/or custody accounts. Clients are under no obligation to use the services of any trust company we recommend.

### **Educational Seminars and Publications**

Occasionally we may take part in educational seminars. These would generally be conducted pro bono which may include travel and accommodation reimbursements. We may also provide newsletters at no charge to our clients or prospective clients.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting our Chief Compliance Officer at 205-208-8700.

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

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients on the same day. Those products, such as open-end mutual funds, whose purchase or redemption price is a fixed net value price per share as of end of date of purchase or redemption are not subject to this restriction.

### **Aggregated Trading**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("aggregated trading"). Refer to the *Brokerage Practices* section in this brochure for information on our block trading practices. We use block trades when possible and act in the client's best interest to mitigate the conflict of front running.



## Item 12 Brokerage Practices

Bridgeworth recommends that our clients establish accounts with LPL, Charles Schwab & Co., Inc. ("Schwab") and/or National Advisors Trust Company. ("Qualified Custodians"). Client assets must be maintained in accounts at a "qualified custodian", which is generally a broker, a bank or a trust company. LPL and Schwab are members of FINRA/SIPC and are SEC-registered broker-dealers. National Advisors Trust Company is chartered and regulated by the Office of the Comptroller of the Currency, a bureau of the U.S. Treasury Department. While we recommend that you use a Qualified Custodian, you will decide whether to do so and open your account with a Qualified Custodian by entering into an account agreement directly with them. Bridgeworth may be limited in the broker-dealer or custodians that we are allowed to use due to Bridgeworth's associated persons' relationship with LPL and its duty to supervise their actions.

Bridgeworth is independently owned and operated and not affiliated with our Qualified Custodians. We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services.
- The likelihood that your trades will be executed.
- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with our firm and our other clients.

### **Research and Other Soft Dollar Benefits**

We do not have any soft dollar arrangements.

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### **Schwab - Your Custody and Brokerage Costs**

For our clients' accounts it maintains, Schwab 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 Schwab account. Schwab's commission rates and/or asset-based fees applicable to our client accounts were negotiated based on our commitment to maintain \$250 million of our clients' assets statement equity in accounts at Schwab. This commitment benefits you because the overall commission rates and/or asset-based fees you pay are lower than they would be if we had not made the commitment. In addition to commission rates and/or asset-based fees Schwab charges 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 Schwab 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 have Schwab execute most trades for your account. We do not believe that maintaining assets at any custodian in order to avoid paying quarterly service fees presents a material conflict of interest.

### **Schwab Advisor Services**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our 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 us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us.

#### Services that Benefit You

Schwab'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 Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

#### Services that May Not Directly Benefit You

Schwab 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 Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data, or 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

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

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession;
- access to employee benefits providers, human capital consultants and insurance providers;
- discount of up to \$4,250 on PortfolioCenter® Reporting Software.

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

**Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. These services may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab'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 Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above - see "The Custodian and Broker We Use") and not Schwab's services that benefit only us. We do not believe that maintaining our client's assets at Schwab for services presents a material conflict of interest.

**Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

**Directed Brokerage**

We do not have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. We routinely recommend that a client directs us to execute through a specified broker-dealer. Our firm recommends the use of LPL and Schwab. For those clients needing trust services we may refer them to NATC. We do not allow clients to direct brokerage outside our recommendation.

**Broker-Dealer Association (LPL Financial)**

Some Bridgeworth advisers who are also registered representatives of LPL Financial, LLC ("LPL") may have received loans or up-front cash payments from LPL to assist the adviser with transitioning his or her business onto the LPL custodial platform. The loans are generally forgivable on a tiered five year basis. The receipt of a loan from LPL presents a conflict of interest in that the adviser may have a financial incentive to maintain a relationship with LPL and continue recommending LPL to clients until the loan is forgiven. However, to the extent Bridgeworth and its advisers recommend you use LPL for such services, it is primarily because Bridgeworth and its advisers believe it is in your best interest to do so based on the quality and pricing of the execution, benefits of an integrated platform for brokerage and advisory accounts, and other services provided by LPL including compliance support, back-office operational, technology and other administrative support. As an additional control for this conflict of interest, you are not required to use LPL and are free to select any broker you wish.

Persons providing investment advice on behalf of our firm who are registered representatives of LPL would normally be required to recommend LPL to you for brokerage services. These individuals are subject to applicable industry rules that restrict them from conducting securities transactions away from LPL unless LPL provides the representatives with written authorization to do so, which LPL has done in this case. Therefore, although these individuals would generally be limited to conducting securities transactions through LPL, in this instance, as noted above, they will generally recommend Schwab. It may be the case that Schwab charges higher transaction costs and/or custodial fees than another broker charges for the same types of services. However, if transactions were executed through LPL these individuals (in their separate capacities as registered representatives of LPL) could earn commission-based compensation as a result of placing the recommended securities transactions through LPL. This practice would present a conflict of interest because these registered representatives would have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. However,

if you do not use the recommended broker we may not be able to accept your account. See the Fees and Compensation section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

### **Order Aggregation**

Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. The aggregation or blocking of client transactions potentially allows us to execute transactions in a more timely, equitable, and efficient manner, and seeks to reduce overall transaction costs to clients. Bridgeworth will aggregate client transactions where possible and when advantageous to clients. In these instances, clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. To the extent that we determine to aggregate client orders we shall do so in accordance with the parameters set forth in SEC No-Action Letter, SMC Capital, Inc. We shall not receive any additional compensation or remuneration as a result of the aggregation.

We do not aggregate trade for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

## **Item 13 Review of Accounts**

Each adviser who manages your account(s) performs account reviews in preparation to the annual meeting or conference call we schedule with you. Advisers conduct an additional review of client accounts each year. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions and investment policies, if applicable. Annually, our Investment Committee reviews and recommends positions for which advisers may place in client accounts.

We will not provide you with regular written reports. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

We contact planning and consulting clients upon request, to discuss updates to their plans, changes in their circumstances, etc. These clients do not receive written or verbal updates regarding their plans or reports unless they choose to contract with us for ongoing consulting services or re-engage our firm under a new service agreement. If you implement financial planning advice, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc. Reports may be provided for accounts held away at various brokers from our recommended custodians.

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

### **Charles Schwab & Co., Inc - Institutional**

In addition, we receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts

of interest are described above (see *Item 12 - Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **Other Compensation**

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents, and certain persons are also Certified Public Accountants, or are registered representatives with LPL, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section.

The adviser, Bridgewater and Bridgewater employees may receive additional non-cash compensation from advisory product sponsors. Such compensation may not be tied to the sales of any product. Compensation may include such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives. Advisory product sponsors may also pay for education or training events that may be attended by Bridgewater employees and advisers.

We have entered into contractual arrangements with employees of our firm, under which the individual receives compensation from us for the establishment of new client relationships. Employees who refer clients to us must comply with the requirements of the jurisdictions where they operate. The employee will receive a one-time bonus of 15% of the first year projected revenue for a new client relationship. This is calculated by multiplying the applicable annual advisory fee by the assets under management. the projected advisory fee is then multiplied by 15% resulting in the one-time bonus amount. You will not be charged additional fees based on this compensation arrangement. Incentive based compensation is contingent upon you entering into an advisory agreement with us. Therefore, the individual has a financial incentive to recommend us to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain us for advisory services. Comparable services and/or lower fees may be available through other firms.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

### **Standing Letters of Authorization ("SLOAs")**

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The Qualified Custodians with whom we do business will send clients independent account statements listing account balance(s), transaction history and any fee debits or other fees taken out of client account.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and the appropriate trading authorization forms.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

## Item 18 Financial Information

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

We have not filed a bankruptcy petition at any time in the past ten years.

## Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

### Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### IRA Rollover Considerations

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.



If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - a. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.