

**Item 1 - Cover Page**

**Form ADV Part 2A Disclosure Brochure and Brochure Supplement  
March 27, 2020**

**Lighthouse Financial LLC**

370 Interlocken Blvd., Suite 525  
Broomfield, CO 80021-3496

(303) 444-1818 telephone

(303) 444-1852 facsimile

[www.lighthousefinancialLLC.com](http://www.lighthousefinancialLLC.com)

This brochure and brochure supplement provides information about the qualifications and business practices of Lighthouse Financial LLC. If you have any questions about the contents of this brochure, please contact us at (303) 444-1818. Our website is: [www.lighthousefinancialLLC.com](http://www.lighthousefinancialLLC.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.

Lighthouse Financial LLC is a registered investment adviser with the Securities and Exchange Commission. Registration of an investment adviser does not imply a certain level of skill or training.

Additional information about Lighthouse Financial LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

This item discusses only specific material changes that are made to the Brochure since the Firm's last annual update. It will also reference the date of the last annual update of the brochure. Since the Firm's last update dated June 28, 2019, the Firm has had no material changes.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year, which is December 31. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of the Brochure, please contact us by telephone at 303-444-1818.

## Item 3 - Table of Contents

Item 1 - Cover Page .....	1
Item 2 - Material Changes .....	2
Item 3 - Table of Contents .....	3
Item 4 - Advisory Business.....	5
A. The Firm and Principal Owners .....	5
B. Level of Services Provided to Clients with managed investments .....	7
D. Assets Under Management.....	7
Item 5 - Fees and Compensation.....	8
A. Asset Management Fees .....	8
B. Payment of Fees .....	8
C. Additional Fees and Expenses .....	10
D. Prepayment of Fees.....	10
E. Compensation for Sale of Securities or Other Investment Products .....	10
Item 6 - Performance-Based Fees and Side-By-Side Management.....	12
Item 7 - Types of Clients .....	13
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	14
A. Method of Analysis and Investment Strategy .....	14
B. Material Risks Involved for Each Significant Investment Strategy .....	14
C. Material Risks Associated with Certain Securities.....	14
D. SEI Investment Strategies.....	15
Item 9 - Disciplinary Information.....	16
Item 10 - Other Financial Industry Activities and Affiliations.....	17
A. Registered Broker-Dealers.....	17
B. Registered Futures Commission Merchant, Commodity Pool Operator, a Commodity Trading Advisor...	17
C. Material Relationships with Related Persons and Conflicts of Interest from Relationships with Related Persons .....	17
D. Conflicts of Interest from Arrangements with Other Investment Advisers .....	17
Item 11 - Code of Ethics, Participation or Interest in Client Transactions, Personal Trading .....	19
A. Summary of Code of Ethics.....	19
B. Recommending Securities in Which We Hold a Financial Interest.....	19
C. Lighthouse Employees Investing in the Same Securities as Clients.....	19
D. Lighthouse Employees Trading in the Same Securities as Clients at the Same Time.....	19
Item 12 - Brokerage Practices .....	20

A. Criteria for Recommending Brokers to Clients.....	20
B. Trade Aggregation .....	20
Item 13 - Review of Accounts .....	21
A. Review of Client Accounts .....	21
B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.....	21
C. Description of the content and indication of the frequency of written or verbal regular reports that Lighthouse provides to clients regarding their accounts. ....	21
Item 14 - Client Referrals and Other Compensation .....	22
A. Economic Benefits from Third Parties .....	22
B. Compensation to Third Parties for Referrals.....	22
Item 15 - Custody .....	23
Item 16 - Investment Discretion.....	24
Item 17 - Voting Client Securities .....	25
Item 18 - Financial Information .....	26

## Item 4 - Advisory Business

### A. The Firm and Principal Owners

Lighthouse Financial, LLC (LH), ("Lighthouse", "LH," or "the Firm") has been a registered investment adviser with the SEC since December of 1999. On April 1, 2019, Shannon Ross became the CEO of Lighthouse Financial LLC and all of the membership interests of Lighthouse Financial, LLC were acquired by Lighthouse Financial Enterprises LLC ("Lighthouse Enterprises"), a Colorado limited liability company that serves as a holding company for the firm. On April 1, 2019, Melissa Starr became Chief Compliance Officer of the Firm.

#### Types of Services Offered

##### Financial Planning Services:

LH offers complete financial planning services. LH financial planning services include defining the client's personal goals; evaluate the client's existing financial circumstances and developing coordinated strategies to meet the client's financial objectives. LH financial plans include a written and online presentation of the client's objectives and goals; a summary of LH assumptions used in preparing the client's financial analyses, discussions addressing each of the client's objectives and addressing the client's ability to achieve each goal and recommendations by detailing the steps the client must take to achieve the client's goals. The client is responsible for the timely production of documents needed by Lighthouse.

LH financial planning services may include the following areas:

##### Retirement Planning

LH retirement planning services may include, but are not limited to, the following:

- Creating income projections based on an assumed investment return, rate of inflation, retirement age and retirement spending;
- Creating distribution and withdrawal options, including lump-sum distributions, mandatory distributions, beneficiary designations and pension pay-out options.
- Generating a Social Security analysis in an effort to maximize your benefits
- Recommending cash flows, savings and debt repayments;
- Calculating income tax, possible penalty tax, and estate tax;
- Creating simulation models, such as Monte Carlo or historical simulations that indicate probability of success based on mathematical modeling.

##### Income and Expense, Net Worth, and Tax Estimates

LH will prepare current year financial statements and LH may also include projected multiple-year financial statements. LH will also make recommendations for tax review, debt reduction, liability management and cash flow management.

##### Education Funding Planning

LH will analyze the client's educational planning needs to suggest a course of action for college

education or vocational training for the client's children that are compatible with their skills and desires and the client's financial goals. LH educational planning services include recommendations for various forms of funding, analysis of the taxation of college savings, discussion of ownership and control issues, the impact of saving on financial aid and the use of trusts.

#### Business Planning

LH will provide the client, as the owner of a small business, with advice about business continuation planning, employee benefit plans and qualified and non-qualified retirement plans.

#### Insurance Planning

LH will review the client's risk protection for premature death, disability, long-term care and casualty losses.

#### Estate Planning

LH estate planning services address the client's concerns regarding the accumulation, conservation, and distribution of the client's estate. LH will analyze the client's income sources for the client's lifestyle and gifting desires and recommend strategies for the distribution of the client's estate. LH will work closely with the client's attorney and client's other advisers to develop strategies designed to accomplish the client's objectives and minimize the client's taxes.

#### Charitable Gift Planning

LH will help the client, as an individual, or the client's family, define and achieve the client's philanthropic goals through charitable gift strategies. LH will work with the client's other advisors to recommend strategies to the client to minimize taxes, protect the client's family and benefit non-profit organizations.

#### Discretionary Asset Management Services

For discretionary asset management services, we utilize SEI Investments Company (SEI), an unaffiliated institutional investment adviser. We retain SEI to provide certain discretionary outsourced investment strategies and various other services in connection with the service we provide to clients. Under this program, SEI makes available to LH investment strategies developed and managed by SEI. The investment strategies include "ETF Models," "Managed Account Strategies" and "DFS Strategies Portfolios," each as defined in the applicable SEI account application necessary to invest in the noted strategy (e.g., the Distribution-Focused Strategy Account Application defines the available "DFS Strategies Portfolios"). SEI strategies generally ascribe to modern portfolio theory and with an emphasis on key principles that include asset allocation, portfolio design, investment manager selection, portfolio construction and management, tax management and risk management. Their approach also includes periodic rebalancing and changes to asset allocation weightings based on capital market assumption as to the market cycle-expansion, stress, distress and recovery.

Through client interviews and through the information gathered from an investor profile, we complete an analysis of a client's financial situation and develop a written statement of investment policy, an overall strategy, initial asset allocation per strategy and overall recommended portfolio. LH, SEI and the client enter into a three-party agreement, which provides for SEI's management of assets allocated to the particular investment strategy by LH in accordance with the terms of that agreement. LH is solely

responsible for determining the appropriate investment strategy based on the client's personal objectives, risk tolerance, and time horizon. LH also provides continuous portfolio supervision and has discretion in modifying allocations, where appropriate. Once a particular investment strategy or strategies are selected, SEI will complete the allocation in accordance with the applicable model.

Non-Discretionary Advisory Services:

LH also continues to provide investment advice on investments, portfolio allocation models, securities analyses and selection and portfolio construction on a non-discretionary basis to certain clients. The investment advice may include continuous monitoring of the portfolio and/or periodic portfolio reviews.

**B. Level of Services Provided to Clients with managed investments**

LH tailors our advisory services to the needs of LH clients. LH Advisors discuss and advise the client on the types of investments and investment strategies based upon the client's financial situation, risk profile and financial goals. This process requires LH Advisors to collect information about the client through personal interviews and completion of an investor profile. Based on this information, a written statement of investment policy is developed, initial asset allocation and a recommended portfolio is developed for the client. The client's assets are invested in appropriate established portfolio strategies. However, LH may customize the strategies based upon the client's particular circumstances. Once LH places the client in an appropriate portfolio strategy, LH will provide the client with continuous portfolio supervision. The client is permitted to impose reasonable investment restrictions on investing in certain securities or types of securities. Additionally, after collecting information regarding the client's income needs, LH will develop a withdrawal plan if the client is in a withdrawal phase. The client is permitted to modify their income needs at any time.

**D. Assets Under Management**

As of December 31, 2019, Lighthouse manages \$92,666,257 of assets on a discretionary basis and \$0 assets on a non-discretionary basis. We use the same method to calculate our assets under management here as we have used to calculate our assets under management on Item 5(F) of our Form ADV 1.

## Item 5 - Fees and Compensation

### A. Asset Management Fees

The asset management fee for accounts held at SEI, utilizing the fee schedule below, is payable monthly at the end of each month and is based upon the market value of the client's aggregated account assets under management (including cash) as of the close of business on the last business day of that month. Accounts established during a month are billed at the end of the month, on a pro rata basis for the number of days in the month. However, the Firm may, in its sole discretion, negotiate a lower advisory fee based upon certain criteria (e.g., market value of portfolio under management, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, pro bono activities, character of services provided, etc.).

The fee schedule is as follows:

Portfolio Value	Fee
\$0-\$250,000	1.60%
\$250,001 - \$500,000	1.30%
\$500,001 - \$1,000,000	1.15%
\$1,000,001 - \$3,000,000	1.0%
\$3,000,001 +	0.90%

### Investment Advice and Financial Planning Fees

The LH fee for providing investment advice and financial planning services generally falls within a range of one hundred dollars (\$100.00) to four thousand dollars (\$4,000.00), depending on the complexity and size of the portfolio, and the number of hours required to develop a financial plan. The LH hourly fees range from seventy-five dollars (\$75.00) an hour for administrative staff to two hundred fifty dollars (\$250.00) an hour for the financial planner time. The fee must be agreed upon in advance. One half of the agreed upon fee is due prior to beginning the advisory or financial planning work. The remaining balance is due upon the delivery of the LH advisory or financial planning work. LH will deliver the agreed upon plan within six (6) months of the date of the signed advisory agreement. The fee may include further guidance in the implementation of the plan recommendations and includes regular updates or reviews of the client's plan for one year.

### B. Payment of Fees

The LH advisory agreement provides for authorized deductions directly from accounts held at SEI. SEI will directly debit the account for fees payable and will forward those fees to Lighthouse or our designated agent. Please be aware that when SEI deducts fees directly from your account, it is your responsibility to review your account and notify us as to any discrepancies.



LH provides written authorization for SEI to debit the client's account monthly and, sends notification showing the amount of the fee, the value of the assets in the account(s) on which the fee is based, the rate at which the fee was calculated, and the period covered.

### **C. Additional Fees and Expenses**

In addition to the asset management and financial planning fees described above, LH clients are responsible for paying certain fees and expenses applicable to their accounts at SEI. These include certain equity manager, municipal strategy and platform fees, as applicable.

The value of assets invested in shares of unaffiliated investment companies (e.g., exchange traded funds, closed-end or mutual fund companies, and unit investment trusts) are also subject to investment advisory, administration, transfer agency, distribution, shareholder service and other fund-level expenses. Clients invested in such funds, pay these expenses indirectly, as a fund shareholder.

Please refer to Item 12 (Brokerage Practices) below for more information on our brokerage practices.

#### Commissionable Securities Sales

Representatives of our firm are registered representatives of Purshe Kaplan Sterling Investments, Inc (“PKS”), member FINRA/SIPC. As such they are able to accept compensation for the sale of securities or other investment products, including distribution or service (“trail”) fees from the sale of mutual funds. Clients should be aware that the practice of accepting commissions for the sale of securities presents a conflict of interest and gives our firm and/or our representatives an incentive to recommend investment products based on the compensation received. Our firm generally addresses commissionable sales conflicts that arise when explaining to clients these sales create an incentive to recommend based on the compensation to be earned and/or when recommending commissionable mutual funds, explaining that “no-load” funds are also available.

### **D. Prepayment of Fees**

As noted above, clients pay monthly fees at the end of each month and there are no prepayment of fees.

The client has the right to terminate their investment management agreement with LH without penalty within five (5) days after the effective date of the agreement by providing notice to LH in writing. After five (5) days, the client will incur a pro rata charge for the advisory services that LH has provided to client up to the date of the termination of the agreement. Clients who terminate accounts held at SEI will be billed on a pro rata basis for the days accrued during the current monthly cycle.

For LH financial planning services, the client should receive the client’s final plan from LH within six (6) months. If the client has not received their plan within six (6) months, LH will return the client’s initial payment before (6) months have passed. If the client terminates the client’s financial plan agreement with LH prior to LH’s delivery of the plan, the client may be eligible for a partial refund on pro-rated basis based upon the amount of time LH has spent on the client’s project.

### **E. Compensation for Sale of Securities or Other Investment Products**

LH does not charge commissions in addition to asset management fees. However, some mutual funds distribute payments to broker-dealers pursuant to a 12b-1 distribution plan, or other such plan, as

compensation for brokerage services. In their capacity as broker-dealer agents acting on the client's behalf, LH Advisors may be eligible to receive such service fees and compensation. In some instances, a load-waived mutual fund may pay a 12b-1 service fee. For taxable accounts, LH receives the 12b-1 fee, but it is generally LH policy that Advisors not receive 12b-1 fees on mutual funds recommended in taxable accounts. For ERISA qualified accounts (IRA's, 403b plans, 401k plans and other ERISA plans), neither Lighthouse nor the Advisor receives 12b-1 fees. These fees are either retained by the broker dealer (PKS) or are offset from monthly asset management fees.

One exception to this practice is the case where LH recommends a variable annuity to a client. In this case, a commission on the sale of the variable annuity and ongoing 12b-1 fees from the sale may be received. In cases where LH is granted authority by the client to manage the investment options inside the annuity on a discretionary basis, LH does not charge advisory fees. LH considers the payment of commissions and ongoing 12b-1 fees to be the compensation in these situations. A conflict of interest exists in these arrangements. The Advisor may have a financial incentive to recommend a variable annuity based upon the compensation he or she will receive rather than on the best interests of the client. LH addresses this conflict by requiring that all variable annuity sales be reviewed and approved by the Chief Compliance Officer to ensure the recommendation is appropriate for the client after considering other investment alternatives.

In cases where LH prepares a financial plan or performs other investment advice on a non-discretionary basis, the client has a choice as to whether they want to implement the financial plan or recommended portfolio through LH or use another financial advisor or institution that is not affiliated. If the client uses Lighthouse to implement the recommended portfolio the Advisor has a conflict of interest in that they may receive compensation in the form of commissions or a share of the advisory fee for all or part of the recommended portfolio. This conflict is disclosed to clients in the client agreement. LH also discloses the conflict when LH meets with the client to discuss the implementation of the plan. In addition, if LH recommends mutual funds in these cases, LH will generally recommend "no load or load waived" funds. A "no load" fund does not charge a sales commission. A load-waived fund does not charge a sales commission but may pay a 12b-1 service fee.

IARs of the Firm are also licensed insurance agents for un-affiliated insurance companies. If you elect to implement the plan or buy insurance through the Firm's IARs, they will receive a commission from insurance sales, which includes life, accident and disability insurance and fixed annuities. This presents a conflict of interest and financial incentive to the extent that the IAR recommends the purchase of an insurance product to you, which results in a commission being paid to the IAR as an insurance agent. This conflict is mitigated by the fact that the Firm, as well as the IARs, have a fiduciary responsibility to place the best interest of the client first and will act in accordance with that responsibility. You are under no obligation to purchase insurance products through the insurance companies with whom we are licensed agents. Clients have the option to purchase investment products that are recommended by our IARs through other brokers or agents not affiliated with the Firm. It is our fiduciary duty as an investment advisor to provide advice and investment recommendations that are in the best interest for our client and to put our clients' interests ahead of our own.

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

LH and our supervised persons do not charge performance-based fees.

## **Item 7 - Types of Clients**

LH manages investment advisory accounts for individuals, trusts, estates, and qualified and non - qualified retirement plans. LH does not require clients to make a minimum investment in order to open an investment advisory account with LH. However, LH generally discourages investment advisory accounts with less than \$100,000 unless you plan on adding additional funds within a reasonable period of time that will create an advisory account with a minimum of \$100,000 of investable assets.

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

### **A. Method of Analysis and Investment Strategy**

LH primarily utilizes discretionary asset management programs that provide current and historical information on portfolio assets. We use this information, and information we gather from third-party and independent sources to assess the on-going suitability of these strategies for our clients. In determining the suitability of various investments, LH takes into consideration the profile, holdings, historical performance and pricing, trading volume, and size of the asset as well as any unusual or unique attributes before placing an investment in client portfolios.

Through our relationship with SEI, LH has different strategies available to meet the client's needs that generally encompass financial goals from accelerated growth, growth, moderate, conservative, strategic income, strategic, custom and defensive approaches. We utilize a risk tolerance questionnaire, completed by the client, that assists us in determining which strategy or strategies are suitable for investment. Discretionary asset management strategies are actively managed and traded, and SEI uses rebalancing when funds are added, withdrawn or are sold out of a strategy.

### **B. Material Risks Involved for Each Significant Investment Strategy**

All discretionary asset management program strategies involve a risk of loss that clients should understand and be prepared to bear. The general risk associated with our discretionary asset management investment strategies is asset allocation risk. This is the risk that an investment advisor's decisions regarding a portfolio's allocation to asset classes or underlying funds will not anticipate market trends successfully.

Further, given the very wide range of investments in which a client can be allocated through their particular investment strategy, there is similarly a very wide range of risks to which a client's assets can be exposed. The particular risks to which a specific client might be exposed will depend on the specific investment strategies incorporated into that client's portfolio. For a detailed description of the material risks of investing in a particular product, the client should, on or prior to investing, also refer to such product's prospectus or other offering materials.

### **C. Material Risks Associated with Certain Securities**

There are certain risks associated with investments that may result in a loss. Clients who have short term needs for liquidity (less than one year) should not invest those funds in a managed account. Lighthouse invests client assets primarily in ETF's (exchange traded funds), mutual funds, FDIC insured instruments and individual stocks and bonds. Some of the risks associated with these investments are as follows:

1. The mutual fund or ETF could be closed or liquidated.
2. Mutual funds, ETF's, stocks and bonds are subject to a decrease in value due to market fluctuations.
3. The underlying companies included in a mutual fund or ETF or the individual stock or bond can be merged, sold, liquidated or go bankrupt.
4. The government may exercise a circuit breaker on any exchange and stop all trading for a

period of time.

5. There can be a change in management at all levels (individual company, fund level, Lighthouse Financial) which may have an impact on performance.
6. There may be a lack of liquidity from investments in individual bonds or CD's.

**D. SEI Investment Strategies**

See Item 8 in the SEI Brochure for Methods of Analysis, Investment Strategies, Material Risks of Strategies and Material Risks of Certain Securities.

## **Item 9 - Disciplinary Information**

LH has determined that LH does not have any legal or disciplinary events that are material to the clients' or prospective clients' evaluation of LH's advisory business or the integrity of LH management.



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

### **A. Registered Broker-Dealers**

LH is not a registered broker-dealer. LH management persons are registered representatives of PKS, member FINRA/SIPC, and licensed insurance agents. As a result of these transactions, they receive commissions. A conflict of interest exists as these commissionable sales create an incentive to recommend products based on the compensation earned. To mitigate this potential conflict, our firm will act in the client's best interest. Our firm is not registered, nor does it have an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. Our firm does not directly or indirectly receive compensation for the recommendation or selection of other investment advisers.

### **B. Registered Futures Commission Merchant, Commodity Pool Operator, a Commodity Trading Advisor**

LH and our management persons are not registered and do not have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of these entities.

### **C. Material Relationships with Related Persons and Conflicts of Interest from Relationships with Related Persons**

LH does not have any material relationships with any affiliated companies. PKS is an unaffiliated broker-dealer, and potential conflicts of interest are discussed in this Brochure.

LH Advisors may be licensed as insurance agents of unaffiliated insurance agencies. See Item 5 for a discussion of potential conflicts of interest associated with this affiliation.

### **D. Conflicts of Interest from Arrangements with Other Investment Advisers**

LH does recommend SEI, an unaffiliated investment adviser. LH does not receive any direct compensation from SEI. However, LH does benefit from the fact that SEI provides certain services and benefits to us in order to assist us in providing advisory services to clients. These benefits and services are set forth in the client agreement and include the following:

- Technology solutions and operational support relating to SEI's systems;
- Investment research
- Assistance in marketing activities; and
- Assistance in transitioning accounts to SEI.

LH may be eligible for direct payments from SEI in certain circumstances. SEI may pay LH for travel reimbursement for reviewing the Firm's business and practices and/or providing certain clerical or custodial support services.

The services LH receives from SEI may be based on the business we do with SEI and may be offered to us at no fee or at a discounted fee. As such, we may be influenced in recommending or requiring that you establish accounts with SEI vs. another investment adviser. LH continually examines this potential

conflict of interest. LH has determined that our selection of SEI is in the best interests of our clients. Our selection is primarily based upon the quality of the services provided that benefit LH clients and not on benefits received by LH.

We may receive discounted pricing, including transaction and custody fees, for your account based on the nature and scope of the business we do with SEI currently as well as expected future business. SEI may change this pricing, services and other benefits if the nature or scope of LH's business changes or does not reach certain levels, in which case your account may revert to an amount not to exceed the standard pricing.

Melissa Starr, CCO of Lighthouse Financial, also serves as CCO of Accelerated Wealth Advisors, LLC, an unaffiliated investment adviser based in Colorado Springs. We believe Ms. Starr has sufficient time to devote to her role as CCO at Lighthouse and that the time commitment does not pose a conflict of interest. Ms. Starr does not receive any incentive-based or bonus compensation that would otherwise pose a conflict of interest with her duties at Lighthouse.

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

### **A. Summary of Code of Ethics**

LH will provide our Code of Ethics (the "Code") in its entirety to any client or prospective client upon request. The following is a summary of the key provisions of the Code:

#### **Scope**

The Code covers all directors, officers, partners, employees, and any other persons who are under the Firm's supervision and control.

#### **Fiduciary Duties**

This Code of Ethics is based on the principal that LH and its employees owe a fiduciary duty to its clients. Accordingly, LH and its employees must avoid activities, interests and relationships that might interfere or appear to interfere with making decisions in the best interests of our advisory clients.

#### **Personal Securities Trading**

All Employees are subject to certain trading restrictions. In addition, all employees must report their personal securities transactions quarterly and personal securities holdings annually.

#### **Code of Conduct**

The Code contains specific topics designed to reflect the Firm's commitment to ethical conduct. You may receive a copy of our Code of Ethics by contacting Melissa Starr at 370 Interlocken Blvd., Suite 525, Broomfield, CO 80021-3496, (303) 444-1818.

### **B. Recommending Securities in Which We Hold a Financial Interest**

LH does not recommend or buy or sell securities in which LH or a related party holds a material financial interest.

### **C. Lighthouse Employees Investing in the Same Securities as Clients**

LH permits our supervised persons to trade in the same securities as those held by clients. SEI executes transactions on behalf of clients, however supervised persons are not privileged to the buys or sells made by the Institutional Managers at SEI. Our policy is to prohibit supervised persons from purchasing or selling securities for their accounts in any manner that might conflict with our clients.

In addition, LH does not allow employees to invest in initial public offerings (IPO's). Associated persons, aside from those in their status as clients of the LH, are not permitted to participate in aggregated trades with client accounts. For additional information on aggregation of trades see Item 12(B).

### **D. Lighthouse Employees Trading in the Same Securities as Clients at the Same Time**

See Item 11(C), above.

## Item 12 - Brokerage Practices

### A. Criteria for Recommending Brokers to Clients

As noted elsewhere in this brochure, LH utilizes the services of SEI Investments Company for discretionary asset management program offerings. SEI accounts are custodied and traded at SEI. Clients receive SEI's ADV 2 disclosures regarding fees and brokerage practices.

We selected PKS as the broker-dealer in our program after considering a wide range of factors including, among others:

- Financial strength, integrity and stability; quality of their trading and execution services; competitiveness of the fees based upon the quality of service; breadth of available investment products (mutual funds and ETF's) and responsiveness.

### Products and Services Available to Us from PKS

PKS provides LH and our clients with certain services and benefits that help us manage or administer clients' accounts.

Among the services provided by PKS that directly benefit clients are: execution and settlement services, broad range of investment products, custody of client assets, and availability of certain investment products that are not available to retail accounts.

Certain services provided by PKS may benefit us but may not directly benefit clients. These services assist us in managing client accounts. They include, but are not limited to:

- Research, pricing services and other market data; the ability to electronically download client trades, balances and positions and input them in to our portfolio record keeping systems; the use of trading software to facilitate trade execution and aggregate orders for multiple client accounts; the ability to debit our management fees directly from client accounts and provide access to client account data such as confirmations and statements

### Potential Conflicts of Interest Arising from Broker Arrangements

See Item 12 in the SEI Brochure for Brokerage Practices.

### Directed Brokerage

Clients in the discretionary asset management program must utilize the services of SEI to LH. As such, SEI directs trades for execution and serves as the Custodian for client accounts.

Neither PKS nor SEI are affiliated with Lighthouse.

### Client Directed Brokerage

We do not allow our clients to direct brokerage.

### B. Trade Aggregation

Please refer to Item 12 in the SEI Brochure for Brokerage Practices.

## **Item 13 - Review of Accounts**

### **A. Review of Client Accounts**

SEI, as the custodian for your account, will provide statements for your account at least quarterly.

Lighthouse monitors your account continuously and schedules regular investment meetings based upon a mutually agreed schedule. Lighthouse may also address other financial planning topics with you at these meetings for no additional fee.

In addition, LH offers on-line electronic or written Quarterly Performance Reports created by SEI Investments Company on managed accounts and compares them with your IPS to determine whether you are meeting your goals. Your IPS will help you track your investment objectives, time horizon and expected rate of return. Lighthouse also provide electronic access via a password protected venue for viewing your account on a 24/7 basis.

Other than for general advice, Lighthouse does not review the accounts of those who contracted for a one-time-only financial plan. However, such persons may enter into a new agreement with Lighthouse for annual updates of their financial plan for a stated fee. The content of these reviews may include updated financial statements, tax analysis, investment summary, asset allocation analysis, retirement and other funding updates, and estate review.

Lighthouse requires each Adviser to review client accounts for consistency with client objectives, guidelines and agreements. In addition, our Chief Compliance Officer reviews reports, contracts, and financial plans Lighthouse delivers to clients.

### **B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.**

Factors that may cause our Adviser, Advisory Supervisor or Chief Compliance Officer to review a client's account more frequently may include volatile market periods and changes in your objectives.

### **C. Description of the content and indication of the frequency of written or verbal regular reports that Lighthouse provides to clients regarding their accounts.**

Lighthouse offers Quarterly Performance Reports prepared by SEI, including portfolio statements, either in hard copy or on-line. The Performance report includes periodic Time Weighted Rates of Return for the entire portfolio and individual account listings by registration including each asset owned in the account.

In addition, SEI, our current custodian of client accounts, provides either hard copy or on-line monthly and quarterly account statements; based on the client's preference.

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

### **A. Economic Benefits from Third Parties**

The Firm receives certain benefits from SEI, the third-party manager recommended by LH. The benefits received and potential conflicts are described in Item 10.D. (Other Investment Advisers).

### **B. Compensation to Third Parties for Referrals**

We do not have any third-party solicitors or solicitation agreements.

## **Item 15 - Custody**

Lighthouse clients designate SEI Investments Company to act as the custodian for their accounts as part of their client advisory agreement. Lighthouse does not maintain physical custody of any client accounts or assets. This policy is more fully described under Item 5, Fees and Compensation.

SEI will directly send in paper or electronic format account statements at least quarterly. The statements produced by SEI list account balances, assets held within the account, any fee transactions including Lighthouse advisory fee. Clients should carefully review the statements for accuracy.

Lighthouse encourages our clients to raise any questions with us about the custody, safety or security of their assets.

### **Item 16 - Investment Discretion**

Clients must sign a limited discretionary investment management agreement with Lighthouse. This agreement gives Lighthouse the right to purchase or sell assets in the account and the amount and type of securities to be traded in the account without receiving prior consent.



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

Lighthouse does not and will not accept the proxy authority to vote on behalf of clients. In addition, Lighthouse will not provide advice to clients about how to vote proxies. Clients will receive proxies or other solicitations directly from SEI or company requesting shareholder approval. If we receive a proxy, we will forward to the client.

## **Item 18 - Financial Information**

Lighthouse does not require nor solicit prepayment of more than fifty percent of the agreed upon financial planning fee from a client more than six (6) months in advance. Therefore, Lighthouse has not included a balance sheet for our most recent fiscal year.

Although Lighthouse does have discretionary authority over clients' accounts, Lighthouse does not have any responsibility to disclose financial information that is likely to impair our ability to meet our contractual commitments to our clients. No client accounts are held at Lighthouse under any circumstances. Lighthouse has not been the subject of a bankruptcy petition at any time.