



## Lucia | Wealth Program Brochure

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This Wrap Fee Program Brochure provides information about the qualifications and business practices of our firm and the Lucia | Wealth program. This information should be considered before becoming a Client of this Program. If you have any questions about the Program or the contents of this brochure, please contact us at 800-644-1150. 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 our firm is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for Lucia Wealth Services, LLC; WCAM Private Client Management or Lucia Capital Group. You may search for information by using the firm's name or by using our CRD number. The firm's CRD number is 152396.

\*Registration as an investment adviser does not imply a certain level of skill or training.

## Item 2 – Material Changes

Lucia Capital Group (“LCG”) filed its Annual Updating Amendment for the 2018 fiscal year on March 26, 2019. Since that time, the following material changes occurred:

- Lucia Capital Group has implemented policy changes related to mutual fund share class election. For additional detail, please refer to Item 5 – Fees and Compensation. As a result, LCG has offered affected clients to unwind the transaction and reimburse upfront commissions and 12b-1 Fees earned.
- Lucia Capital Group has updated its disclosure documents regarding various compensation arrangements. LCG and/ or its affiliated Broker/ Dealer Lucia Securities, LLC (“LSL”) receive incentives as a result of utilizing RBC Capital Markets (“RBC CM”) as one of its qualified custodian and clearing firms. While the receipt of these incentives and compensation create conflicts of interest, LSL and LCG believe that the utilization of RBC CM is nonetheless consistent with the firm’s duty to its clients, having evaluated the overall services provided by RBC CM based on the criteria outlined in this brochure to determine the overall execution quality provided to our clients. For additional detail, please refer to Item 10 – Additional Information of the brochure under Arrangement with Lucia Securities, LLC and RBC Correspondent Services.

We may update this Brochure at any time. If we make any material changes relating to Item 9 (disciplinary information), we will provide you with one of the following: (i.) a copy of our Form ADV Part 2A that includes or is accompanied by a summary of material changes, or (ii.) a summary of material changes that includes an offer to provide a copy of the current Form ADV Part 2A. We urge you to carefully review all subsequent summaries of material changes as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

To receive a complete copy of our Brochure at no charge, please visit our website at [www.luciacap.com](http://www.luciacap.com), or contact us by phone: 800-644-1150.

### **Item 3 --Table of Contents**

Item 2 – Material Changes	2
Item 3 --Table of Contents	3
Item 4 – Services, Fees, and Compensation	4
Item 5 – Account Requirements and Types of Clients	11
Item 6 - Portfolio Manager Selection and Evaluation	11
Item 7 – Client Information Provided to Portfolio Managers	16
Item 8 – Client Contact with Portfolio Managers	16
Item 9 – Additional Information	17

## **Item 4 – Services, Fees, and Compensation**

Lucia Wealth Services, LLC, conducting business as Lucia Capital Group (referred to as “Lucia Capital Group,” the “Firm,” or “LCG” throughout this document), is an Investment Adviser registered with the United States Securities and Exchange Commission. The Firm is a limited liability company formed under the laws of the state of California and has been registered as an Investment Adviser since February 8, 2010. LCG is 100% owned and controlled by Lucia Capital Group, LLC, which, in turn is owned by Raymond J. Lucia Jr. and Joseph P. Lucia.

LCG provides various types of advisory programs including wrap programs, financial planning, retirement plan consulting services and participant education, and other customized portfolio management services. This brochure provides a description of Lucia Capital Group’s Lucia | Wealth Program (“Wealth Program” or “Program”). For more information about LCG’s advisory services and programs, other than the Wealth Program, please contact your investment adviser representative (“adviser representative”, “adviser” or “IAR”) for a copy of a similar brochure that describes such service or program or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You should have a conversation with your adviser representative and read this and similar brochures carefully, as they explain our services in detail.

Regardless of which program you select, our advisory process begins with a data collection process to help our adviser representatives understand, among other things, your short- and long-term financial objectives, risk tolerance, tax status, current investment holdings, and asset allocation. Our adviser representatives will analyze current investment holdings as to their potential place in your investment strategy and make several recommendations for potential improvements to align the current portfolio with the proposed investment strategy.

Our advisers may recommend our fee-based asset management services which involve providing clients with continuous and ongoing supervision over their accounts. This means accounts in these programs are continuously monitored and changes are made when necessary.

Our advisers may also recommend transaction-based commission accounts through Lucia Securities, LLC (“LSL”) and fixed-annuity, or other insurance-related products offered through Lucia Insurance Services (“LIS”). We believe that offering a hybrid platform of both fee-based and commission-based investment solutions provides the flexibility for our advisers to determine the most appropriate and cost-efficient investment products for you. You are under no obligation to invest and may choose to select all, some, or none of the investments we recommend.

When making the determination of whether an advisory program available through Lucia Capital Group is appropriate for your needs, you should bear in mind that fee-based accounts through LCG, when compared with commission-based accounts through our affiliated broker/dealer, may result in lower costs during periods when trading activity is heavier, such as the year an account is established. However, during periods when trading activity is lower, such fee-based arrangements may result in a higher annual cost. The total cost for transactions under a fee account versus a commission account can vary significantly and depend upon a number of factors, such as account size, amount of turnover (number of transactions), type and quantities of securities purchased or sold, and commission rates. You should have a conversation with your adviser and read this brochure carefully, as it explains our services in detail.

Although we aggressively discourage activities that put your interests anywhere but first, our hybrid investment platform creates an inherent conflict of interest since you may invest in our fee-based asset management services and/or transaction-based commission accounts. We strive to eliminate conflicts through our financial planning process and philosophy, as well as strict adherence to our Code of Ethics.

#### Lucia | Wealth Program

We provide fee-based financial consulting and asset management services through the Lucia | Wealth Program (“Wealth Program” or “Program”), a wrap-fee program sponsored by our Firm.

Your Investment Adviser Representative (IAR) will provide ongoing financial planning and consulting services.

Ongoing financial consulting services provided by your IAR may include monitoring of your entire household investment portfolio, which includes assets held in traditional non-discretionary brokerage accounts through LSL and accounts where LCG and/ or LSL are not listed as adviser or broker dealer of record, financial goal setting, customized what-if scenario planning, and related financial strategies such as Roth conversions, Social Security, and tax efficient withdrawal strategies for retirement income. The extent of the services provided will vary based upon your needs. If extraordinary planning or consultation services are required, the IAR may charge for such additional services. The nature of the service and dollar amount will be set forth in a separate written agreement.

Your IAR provides ongoing asset management services in addition to financial consulting. Our asset management platform provides your adviser the ability to create a custom-tailored portfolio for you which may include any combination of professionally managed individual securities model portfolios, mutual fund model portfolios and exchange traded fund (ETF) model portfolios. Additionally, your adviser can further personalize your experience by allocating your portfolio to individual securities, such as stocks, bonds, mutual funds, ETFs, alternative investments, and fixed income securities. Fee-based annuities are also available through this program. Your adviser will review your information to evaluate your financial situation and investment objectives, then make recommendations and manage your accounts accordingly.

You must grant your adviser representative with discretionary authority on all asset management accounts allocated to the Wealth program. This discretionary authority will include the ability to allocate among Model Portfolio Advisors, purchase or sell mutual funds, exchange traded funds, stocks, bonds, and allocate among sub-accounts in variable annuities. This discretionary authority does not extend to the withdrawal of your account funds.

The chart below highlights the services available through the Lucia | Wealth program.

Financial Consulting Services	Asset Management Services	
Household Portfolio Monitoring	<u>Advisor Directed Portfolios</u>	<u>Model Portfolios</u>
Asset Allocation	Mutual Funds	ETF Portfolios
General Financial Planning	Exchange Traded Funds (ETFs)	Institutional Mutual Fund Portfolios
Retirement Planning	Individual Equities	Institutional Mutual Fund & Stock Portfolios
Tax Planning	Fixed Income	Concentrated Stock Portfolios
Performance & Progress Reports	Annuities (Advisory Class)	Diversified Stock Portfolios
Annual Client Meeting	Alternative Investments (Advisory Class)	

The Wealth program also provides an Overlay Portfolio Management process to coordinate trades among multiple model portfolios within your account, and screen for wash sale violations. When providing overlay portfolio management services, LCG is responsible for implementing day-to-day strategies, rebalancing, and trading activities and coordinating with Model Portfolio Advisors. The Model Portfolio Advisor develops specific investment recommendations and provides trade signals to LCG. LCG is responsible for accepting or rejecting the recommendations due to the fact that LCG, when acting as overlay manager, is provided discretionary trading authorization over all accounts to implement and execute the portfolios developed by Model Portfolio Advisors.

LCG, as overlay manager, also provides the following services:

- Assistance with the ongoing management and supervision of program accounts
- Due diligence review of model portfolio advisors
- Implementation and coordination of model portfolios and related recommendations received from Model Portfolio Advisors while seeking to minimize the likely deviation of the performance of accounts
- Account maintenance and periodical rebalancing to the allocation of investment options selected for each account as instructed or selected by the adviser representative and client
- Management of cash in each account including cash contributions, withdrawals, and security-specific cash flows
- Client-directed loss harvesting for taxable accounts without tax management upon request
- Initial investment of accounts and assistance with transition of assets deposited into the account
- Incorporating client-requested restrictions for specific securities and industry categories

You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct LCG not to purchase or sell certain securities. These restrictions are subject to the acceptance of LCG. Your beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities that comprise the account. A separate account is maintained for you through a Qualified Custodian and you

retain right of ownership of the account (e. g. right to withdraw securities or cash and receive transaction confirmations). Our primary qualified custodians include RBC Correspondent Services a division of RBC Capital Markets, LLC, member NYSE/FINRA/SIPC (“RBC CM”) and Schwab Advisor Services, a division of Charles Schwab & Co., Inc, a FINRA-registered broker/dealer, member SIPC (“Schwab”) and can include other qualified custodians, collectively (“Qualified Custodian”).

Your adviser representative will contact you at least annually for the purpose of reviewing your accounts and determining if there have been changes in your financial situation or investment objectives. Any changes are then reported internally, as well as to LCG, as overlay manager, as necessary. Your quarterly statements will contain a written notification to contact us if there have been any changes in your financial circumstances or investment objectives or if you wish to impose any restrictions on the management of your accounts or modify any existing restrictions. This notice will also provide you with a means through which such contact can be made.

### Program Costs

#### Annual Consulting Fee

You will pay an annual financial consulting fee (“Consulting Fee”) for services provided under the Wealth Program. The annual Consulting Fee is \$2,500 or 1.00% of household assets whichever is lower. The Consulting Fee is separate from fees charged for asset management services. You may choose to implement the recommendations of your IAR with asset management services, commission-based accounts, both or neither. When utilizing asset management services, the Consulting Fee is offset by the IAR asset management fee, unless negotiated otherwise in writing.

#### Adviser Representative Asset Management Fee Schedule

You will pay an annualized Investment Adviser Representative Asset Management Fee (“IAR Fee”) based on the value of billable assets under management in the program.

#### **Note: Clients with commission-based LSL Brokerage accounts, annuities and alternative investments prior to joining the Lucia Wealth Program and existing program participants with commission-based products:**

Generally, commission-based securities included in the Program are categorized either as LCG Brokerage or Advisor Directed – Legacy and marked as non-billable assets. An IAR Fee will not be imposed for 18 months on certain classes of mutual funds that were subject to an up-front load or sales charge and sold by an LSL representative at the time of purchase. With respect to mutual fund class C shares, an IAR Fee will not be imposed on mutual fund class C shares that were subject to a commission and sold to you by your representative in his/her capacity as a registered representative of LSL. Commission-based annuities and commission-based investments designated as an “alternative investment product” will be marked non-billable and excluded from the IAR fee.

## IAR ASSET MANAGEMENT FEE TABLE

Account Value	IAR Fee
Up to \$999,999	1.00%
\$1,000,000 +	0.85%
*When billable account values exceed \$999,999, you will be billed 0.85% on the entire account value. Ex. \$1,000,000 x 0.85% = \$8,500	

### Sample Client Fee Calculation (For Illustrative Purposes Only)

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
Billable Managed Assets	\$500,000	\$1,250,000	\$150,000	\$350,000	\$0	\$150,000	\$0
Non-Billable Assets*	\$0	\$250,000	\$350,000	\$150,000	\$200,000	\$0	\$0
Client Household Assets	\$500,000	\$1,500,000	\$500,000	\$500,000	\$200,000	\$150,000	\$0
IAR Fee for Asset Management	\$5,000	\$10,625	\$1,500	\$3,500	\$0	\$1,500	\$0
IAR Fee for Consulting	\$0	\$0	\$1,000	\$0	\$2,000	\$0	\$2,500
<b>Total Billed IAR Fee</b>	<b>\$5,000</b>	<b>\$10,625</b>	<b>\$2,500</b>	<b>\$3,500</b>	<b>\$2,000</b>	<b>\$1,500</b>	<b>\$2,500</b>
Minimum Consulting Fee	a) \$2,500	b) \$2,500	c) \$2,500	d) \$2,500	e) \$2,000	f) \$1,500	g) \$2,500
<b>Effective Fee Rate on Client Household Assets**</b>	<b>1.00%</b>	<b>0.71%</b>	<b>0.50%</b>	<b>0.70%</b>	<b>1.00%</b>	<b>1.00%</b>	

\*Non-Billable Assets include all other accounts and holdings not invested in model portfolios or advisor directed portfolios which may include LSL brokerage accounts, non-billable legacy holdings in managed accounts, commission-based annuities, commission-based alternative investments and other investments.

\*\*Does not include any commissions, fees or expenses paid on non-billable assets, such as 12b-1 fees, as disclosed in the fund's prospectus and platform fees.

a) Total Billed IAR fee exceeds Minimum Consulting Fee and IAR Fee billed at 1.00%.

b) Total Billed IAR fee exceeds Minimum Consulting Fee and IAR Fee billed at 0.85%.

c) IAR Fee for Consulting reduced by \$1,500 of IAR fee for Asset Management.

d) IAR Fee for Consulting is offset by IAR fee for Asset Management.

e) IAR Fee for Consulting is calculated at 1% of Household assets which is less than \$2500.

f) IAR Fee for Consulting is calculated at 1% of Household assets which is less than \$2500.

g) IAR Fee for Consulting equals \$2500 minimum or negotiated otherwise in writing for consulting only relationship, no investing relationship.

### Platform Fees

You will be charged one management fee that consists of the IAR fee and Platform Fee. The Platform Fee includes overlay manager fees and administration fees paid to LCG, clearing and custody fees (trading costs) paid to LSL or the qualified custodian, as well as model portfolio advisor fees (when model portfolios are selected). Platform Fees will vary based upon the portfolio selected and range from 0.00% to 0.85%. Model portfolio advisor fees range from 0.25% to 0.50%. Platform Fees will not be assessed on assets allocated to fee-based annuities.

### Ability to Negotiate Fees

Consulting Fees and IAR Fees are negotiable and may result in you paying a fee which is less than the highest annual fee, or more or less than the fees paid by other LCG clients. Your adviser will determine your fee based on a number of factors, such as the amount of assets we manage for you, the portfolio strategies selected, the number of accounts you open, and the relationship you have with your adviser.

### Authorization to Deduct Fees

LCG calculates and deducts the fees related to the program as described in the program agreement. Clients must authorize the Qualified Custodian to debit Fees on behalf of LCG directly from their account(s).



Fees include financial consulting fees, IAR fees, platform fees and transaction fees. Fees for direct accounts or where the minimum financial consulting fee has not been met will be billed to a Qualified Custodian account as per the client's instruction. If approved by LCG, you may pay the advisory fee directly rather than through a debit to your account. Any alternative method of billing may result in the imposition of additional charges to cover the administrative costs thereof.

#### Payment in Advance and Refund of Pre-Paid Fees

LCG deducts fees quarterly in advance based on the asset value of your account(s) on the last calendar day of each calendar quarter. In the event that the agreement is terminated the fee for that quarter will be recalculated at quarter-end and the account will be refunded the pro-rata fee that was attributable to the amount of the withdrawal or the remainder of the period the account is not managed. Refunded fees will be paid at the next quarterly billing cycle, generally 30 days following the quarter-end. After the agreement is terminated, the account will be converted to a brokerage account. In a brokerage account, the client is charged a commission for each transaction and neither LCG nor the adviser representative will have any responsibility to provide ongoing investment advice or consulting services.

#### Fees Charged by Third Parties

In addition to the fees detailed above, you may also incur certain charges imposed by custodians, brokers, investment companies, managers and other third parties, such as annual account fees, administrative fees including transfer fees, wire transfer and electronic fund fees, certain odd-lot differentials, transfer taxes, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regard to transactions in the client's account; and advisory fees, expenses or sales charges (loads) of mutual funds (including money market funds), closed-end investment companies or other managed investments, if any, held in client's account. The wrap fee also does not cover certain costs associated with trades executed away from the custodian for securities transactions in the over-the-counter market, such as fixed income securities where manager must approach a dealer or market maker to purchase or sell a security. Such costs include the dealer's mark-up, markdown or spread and odd-lot differentials or transfer taxes imposed by law.

Mutual funds also charge management fees, which are disclosed in a fund's prospectus. Such charges and fees are exclusive of, and in addition to, LCG's advisory, management, IAR and program fees. When using mutual funds or exchange-traded funds for all or a portion of your account(s), you will pay your proportionate share of the funds' fees and expenses, including management fees and shareholder servicing and/or distribution (Rule 12b-1) expenses. Depending on the product and your circumstances, different share classes may be available to you. Please discuss any questions with your adviser to determine which share class is appropriate for you. Many mutual funds offer a variety of share classes, including some that do not charge 12b-1 fees and are, accordingly, less expensive for eligible investors. IARs of LCG are responsible for recommending or purchasing the most cost-effective mutual fund share class the client is eligible for under the circumstances. In the event you transfer a mutual fund position into an account in the household, you should be aware, depending on the share class and fee structure of the previously purchased mutual fund, LCG will receive fees such as 12b-1 fees if the position is held in an LCG Brokerage account that is part of the household. The LCG Brokerage account is not an advisory account, is not a discretionary account and is not billed advisory fees. Such 12b-1 fees present an inevitable conflict of interest. LCG has addressed this conflict by monitoring incoming mutual fund positions in advisory accounts and attempting to convert them to the lowest cost share class available

under the circumstances. For LCG Brokerage accounts, in order to have the mutual fund converted to a less expensive advisory share class available in an Advisor Directed investment advisory account, this will require that you have an advisory account in the same account registration and you will be subject to additional account maintenance fees charged by the clearing firm in which we share.

Most illiquid investments were created to be sold within the broker-dealer community. Consequently, a portion of the proceeds raised is often used to compensate selling group members. These fees are often called a dealer concession or “sales load.”

The portion of the dealer concession allocated as a sales commission to be paid to the representative in a brokerage transaction is refunded to the investor when the illiquid investment is purchased in an advisory account. Each investment sponsor handles sales commission refunds differently. Common examples include: additional shares allocated to the investor; a lower per share price; additional total investment credited. Other portions of the dealer concession, such as due diligence and marketing related expenses, are not refunded to the investor. These fees and expenses are separate and distinct from the Advisory Fees.

Alternative investments may be subject to additional fees including but not limited to dealer manager fees, organization and offering costs, acquisition fees, finance fees, asset management fees, property management fees, disposition fees and other fees, which are disclosed in the alternative investment’s prospectus.

To the extent that mutual funds, exchange-traded funds, closed-end funds, alternative investments or annuities are available through the Program, these investments are also available directly from the funds, investment sponsors or issuers pursuant to the terms of their prospectuses or offering documents and without the additional, ongoing Advisory Fee associated with the Program. You may receive a prospectus that details these fees upon written request to LCG.

#### Important Things to Consider About Fees

When making the determination of whether the Lucia | Wealth program is appropriate for your needs, you should bear in mind:

While fees may be negotiated, you may be able to obtain similar services separately or through other advisory firms at a lower fee. Factors that affect fees include: The type and size of the account; historical and expected size; number of trades in the account; number and range of supplementary advisory and client-related services provided.

When investing in Advisor Directed portfolios and model portfolios available through the program you will pay an annualized Adviser Representative Fee (“IAR Fee”), as well as asset-based transaction fees and platform fees as defined further above. Paying asset-based transaction fees may result in lower costs when trading activity is higher, such as when you initially establish the account, and higher than paying transaction fees separately when trading activity is lower.

Your adviser representative, LCG and its affiliates will receive compensation as a result of your participation in the program. This compensation may be more than would be received if you participate in

other LCG programs, programs of other investment advisers, or paid separately for investment advice, brokerage or other client services. Therefore, your adviser representative and LCG may have an incentive to recommend or promote this program over other programs and services.

## **Item 5 – Account Requirements and Types of Clients**

### Account Requirements & Minimum Account Size

In order to participate in the Lucia | Wealth program, clients must execute a program agreement with LCG. The agreement between LCG and the client includes one or more persons within the same household that have signed the agreement whose accounts are linked to the household.

Minimum investment amounts required are subject to the number of Model Portfolio Advisors and model portfolios selected and any subsequent minimum restrictions in the underlying securities to be purchased. Account minimums can range from no minimum for portfolios managed by your adviser representative to \$100,000 for accounts containing a variety of mutual funds, ETFs, equity and fixed income positions managed by a model portfolio advisor. Exceptions may be granted to the minimum at the discretion of LCG.

### Types of Clients

We provide financial planning and asset management services primarily to individuals nearing retirement or already retired with an investment portfolio typically ranging from \$250,000 to over \$5,000,000. In addition, we also provide asset management services to pension plans, trusts, and charitable institutions (such as foundations that are often connected to our individual clients).

## **Item 6 - Portfolio Manager Selection and Evaluation**

The only Model Portfolio Advisors selected for managing your assets in the program are Adviser Representatives of LCG, investment personnel associated with the asset management division of LCG and affiliated Model Portfolio Advisors, Pinhook Capital, LLC (“PCL”) and Validus Growth Investors, LLC aka Validus Investment Advisors (“Validus”). We do not select, review or recommend the services of other investment adviser or portfolio management firms in connection with the Wealth program. Your adviser representative, LCG and its affiliated advisers are responsible for the investment advice and management offered to clients.

We do not require that Model Portfolio Advisors adhere to GIPS/CFA Institute standards. However, every attempt is made to obtain performance information that is calculated on a uniform and consistent basis.

Model portfolios are screened and selected by LCG and your adviser representative using a number of criteria:

- Manager or management team tenure and experience
- Performance within peer group
- Portfolio turnover
- Expenses and costs of the Model Portfolio Advisor
- Individual face-to-face meetings with managers

- Participation in educational forums and conference calls offered by the Model Portfolio Advisor

Factors that determine the change of a Model Portfolio Advisor or model portfolio may include the following:

- Performance
- Changes in ownership or portfolio manager(s)
- Strategic or tactical changes away from a particular sector or asset class
- Costs

We reserve the right to terminate a Model Portfolio Advisor, model portfolio, or portfolio manager at any time for any reason.

### Performance-Based Fees

Lucia Capital Group does not charge or accept performance-based fees. Regulators have defined performance-based fees as charging fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

## **Item 7 - Methods of Analysis, Investment Strategies, and Risk of Loss**

### Fundamental Analysis

Fundamental analysis involves attempting to evaluate the intrinsic value and relative value of securities. This analysis includes evaluating economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

### Asset Allocation

Rather than focusing primarily on securities selection, an asset allocation model attempts to identify an appropriate ratio of securities, fixed income, and cash suitable to the portfolio's objective (i.e. income, growth, balanced growth, etc.).

### Core/Satellite Asset Management

A core/satellite strategy allocates between a strategic, broadly diverse asset allocation and an actively managed, sometimes more concentrated investment strategy. A typical portfolio may consist of mutual funds, exchange-traded funds, and one (or more) actively managed stock portfolio(s).

### Investment Strategies

#### WCAM Private Client Management Strategies

WCAM Private Client Management ("WPCM"), a division of LCG, offers the "Focused Equity" portfolio along with customized fixed income portfolios. The Focused Equity portfolio is an all-cap focused equity strategy comprised of approximately 15 stocks. The strategy is primarily focused on what WPCM believes

are resilient businesses that generate sustainable recurring revenue and have an enduring competitive advantage, low capital requirements, low reinvention risk, a prudent balance sheet and strong pricing power. In special situations, the strategy may include investments in preferred stocks and merger arbitrage opportunities. Cash is a residual of the investment process and typically will not exceed 10% of the portfolio. The fixed income portfolios are customized to meet specific client needs. Portfolios are typically constructed of corporate, municipal, and/or treasury bonds that are intended to be held to maturity.

#### Advisor Directed Portfolios

Various investment strategies are provided through the Wealth program. However, your adviser representative may select specific no-load mutual funds, funds at NAV, equity positions, exchange-traded funds (ETFs), fixed-income positions, municipal securities, U.S. government securities, annuities and alternative investments. Methods of analysis may include fundamental and technical analysis. The main sources of information include financial publications, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information your adviser may use include Morningstar mutual fund and ETF research, RBC Capital Markets research, outside consultants, and the Internet.

#### The Bucket Strategy®

LCG utilizes an asset allocation and planning methodology called The Bucket Strategy®. The strategy segments your portfolio into several categories called “buckets,” attempting to match various time horizons and the risk tolerance of each bucket category to achieve your long-term objectives. At the strategy's core is the concept of matching assets to liabilities similar to traditional pension plan investment philosophy. Short-term liabilities or income needs are typically matched against short-term fixed-income assets. Longer-term liabilities or income needs later in retirement are typically matched against long-term, growth-focused investments. The framework provides for an interactive process between you and your adviser in designing a unique portfolio. Time horizon, risk tolerance, total return assumptions, withdrawal rates, timing of withdrawals, and the number of “buckets” used all vary based on your unique situation and investment objectives. A typical Bucket Strategy plan will determine your proposed asset allocation across five categories: lifetime income, income, balanced, growth, and alternatives.

Generally, each bucket category provides a framework for you and your adviser to define the related goals for each bucket. You may elect to add additional bucket strategies (sub-buckets) in each category or to remove a category entirely based on your needs. In determining your Bucket Strategy, your adviser will also consider different account registrations for tax planning of withdrawals and investment selection or to identify a specific asset class within a bucket category such as dividend-paying stocks.

Bucket categories are not intended to represent a specific model portfolio; rather, they provide you with a set of several goal-based investment strategies to assist in developing an overall target asset allocation. From this process, several investment options may be presented for each bucket category, which you may choose to implement in whole or in part.

Maintaining a relationship with your adviser is important to the ongoing management of a Bucket Strategy and the various investment options you selected when the strategy was implemented. During your review meeting, your adviser typically discusses tracking and progress toward your overall long-term goals and

objectives and reviews each investment as it relates to the various bucket categories. The review meeting often facilitates modifications to the long-term strategy based on your changing circumstances, rebalancing decisions, value averaging opportunities between bucket categories, and selection of new investment options.

### Investment Risks

Risk of Loss Clients should understand that the investment objective selected for your household is an overall objective that may be inconsistent with a particular holding and the account's performance at any time. Investing in securities (including stocks, mutual funds, exchange traded funds, variable annuities, indexed annuities, variable universal life insurance, REITs, Business Development Companies (BDCs), private placements, alternative investments, bonds or any other securities) involves the risk of loss of principal. Further, depending on the different types of investments, there may be varying degrees of risk. You should be prepared to bear investment loss including loss of the original principal you invested.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our asset management programs.

Market Risk Risk that either the stock market as a whole or the value of an individual company goes down, resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

Equity (Stock) Market Risk Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

Company Risk When investing in stock positions, there is always a certain level of company or industry-specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

Fixed-Income Risk When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

Options Risk Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater-than-ordinary investment risks.

ETF and Mutual Fund Risk When LCG invests in an ETF or mutual fund, the client will bear additional expenses based on its pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds.

Management Risk Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

Liquidity Risk Certain investments (such as certain REITs, BDCs, alternative investments and private placements) are often illiquid, which means that the investments can be difficult to trade and consequently can limit a client's ability to sell the investments in a timely manner and at an advantageous price.

#### Voting Client Securities

LCG is responsible for voting all client proxies received from discretionary accounts in model portfolio advisor strategies through the Lucia | Wealth program. Clients may retain the ability to vote proxies for their own accounts. Clients who initially assign proxy voting responsibilities to LCG may revoke that authorization at any time in writing (addressed to Lucia Capital Group), indicating another person who will vote proxies in the account(s) in question. In such cases, LCG will not have the authority to vote such clients' securities and clients will receive their proxies or other solicitations directly from RBC CM, Schwab or the transfer agent of the security. Clients will be responsible for voting any proxies received for accounts not in model portfolio advisor strategies.

LCG has adopted policies and procedures for voting proxies in the accounts identified above. LCG has selected an unaffiliated third-party proxy research and voting service ("Proxy Voting Service"), to assist it in researching and voting proxies. With respect to each proxy received, the Proxy Voting Service researches the financial implications and potential conflicts of interest related to the proposals and provides a recommendation to LCG as to how to vote on each proposal based on the Proxy Voting Service's research of the individual facts and circumstances and the Proxy Voting Service's application of its research findings to a set of guidelines that have been approved by LCG. LCG may determine to override any recommendation made by the Proxy Voting Service. In such cases, LCG will document the reason why they overrode the recommendation made by the Proxy Voting Service. If the Proxy Voting Service does not provide a recommendation with respect to a proposal, LCG may determine to vote on the proposals directly.

Clients may obtain, free of charge, information on how their securities were voted or a copy of these Proxy Voting Policies and Procedures. You may request a copy by calling our Chief Compliance Officer at 800-644-1150 or by sending an email to [compliance@luciacap.com](mailto:compliance@luciacap.com).

The third-party voting service will also provide ancillary services to LCG and clients participating in the Wealth program including recovery of funds received for class action settlements and bankruptcies. The proxy voting service will retain a percentage of the recovered funds as a fee in connection with this service. LCG does not receive any portion of this fee. To the extent that LCG does not vote proxies for

securities held in the Account, neither LCG nor IAR shall have any obligation to act or advise on any legal matters relating to the securities in the account, including without limitation to class action lawsuits and bankruptcies.

### Description of Other Advisory Services

In addition to providing services through the Lucia | Wealth program, we provide advisory services in the form of financial planning services on a stand-alone basis. Financial planning services do not involve the active management of your accounts but instead focus on your overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help you understand your overall financial situation and help you set financial objectives.

We offer advisory services on a limited basis through the WCAM Private Client Program, which is an advisory program that may be offered on a discretionary or non-discretionary basis. Clients will generally establish brokerage accounts directly with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker/dealer, member SIPC, to maintain custody of their assets and to effect trades for their accounts. LCG has entered into a formal agreement with Schwab Advisor Services whereby Schwab will provide certain services to you and LCG. In certain cases, LCG may use the custodian or other broker/dealer(s) designated by the client to provide all clearing, trading, and brokerage services for the client account.

We also have some clients that have accounts managed directly by SEI Investments. This service is generally not available to new clients, and many of these accounts are being moved to other advisory programs offered through LCG. More detailed information about additional programs can be found in the Lucia Capital Group ADV Part 2A brochure.

### **Item 8 – Client Information Provided to Portfolio Managers**

Your adviser representative will obtain necessary financial data from you and assist in setting appropriate investment objectives for your accounts. Your adviser representative obtains this information by having you complete questionnaires and an LSL new account application. LCG maintains a privacy policy and restricts information to those persons with the need to access your information. As a result of the common ownership between LCG and Model Portfolio Advisors, Model Portfolio Advisors and their associated persons may have access to identifying information about your account and selected investment strategies (including non-public information). Non-public information includes your Social Security number, net worth, and annual income. Public information is information about you that is readily accessible to the public such as your name, phone number, and address.

### **Item 9 – Client Contact with Portfolio Managers**

It is the policy of LCG to provide an “open channel” of communication between our advisers and their clients. You are encouraged to contact your adviser whenever you have questions about the management of your account. Your adviser representative may facilitate meetings with portfolio managers or a Model Portfolio Advisor on your behalf.



## Item 10 – Additional Information

### Disciplinary Information

This item is not applicable to Lucia Capital Group's brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2A instructions that are material to your evaluation of Lucia Capital Group's business or the integrity of our corporate officers and supervisory personnel.

### Other Financial Industry Activities and Affiliations

LSL is a broker-dealer registered with FINRA and the SEC. As a broker-dealer, LSL transacts business in various types of securities, including mutual funds, stocks, bonds, options, private and public partnerships, variable annuities, real estate investment trusts and other investment products. LSL is registered to operate in all 50 states and has registered representatives that are primarily employees. LSL also has independent contractors who are responsible for operating their own businesses and may offer services separate from LSL, such as tax services and sales of fixed insurance products.

Your IAR may also recommend clients invest in the Destra Multi-Alternative Fund (the "Fund") sub-advised by our affiliate, Pinhook Capital, LLC ("Pinhook"). To the extent that clients purchase the Fund or other mutual funds advised by our affiliates in advisory program accounts, including the Wealth program, your investment advisory representative fees will be waived or reduced in proportion to the amount of the advisory fee earned by our affiliate. In addition to the securities and insurance products listed above, your representative can also recommend clients invest in limited partnership securities, often referred to as private placements, for which LSL acts as an underwriter. During its business operations, LSL can engage in marketing reallowance or sponsorship arrangements with third party investment advisers and brokerage firms to promote the distribution of investment products. A potential conflict of interest can exist when representatives recommend these products, as LSL stands to receive earnings from the internal fees of the recommended securities. To address this conflict, we have policies and procedures in place to ensure that securities are recommended only to clients for whom they are suitable given the client's investment objectives and assets. Prior to investing in these products, clients must also be provided disclosures regarding the relationships and conflicts of interests related to the specific investment they purchase.

Pinhook is owned and controlled by Raymond J. Lucia Jr., Joseph P. Lucia and Mark C. Scalzo. Pinhook serves as a Model Portfolio Advisor in the Lucia | Wealth Program offered through LCG. As such, Pinhook will receive model portfolio advisor fees if one of the model portfolios managed by Pinhook is selected as an investment option in any of these programs.

Validus Growth Investors, LLC aka Validus Investment Advisers ("Validus"), a Registered Investment Adviser is owned and controlled by Raymond J. Lucia, Jr., Joseph P. Lucia and Mark Scalzo. Validus serves as a Model Portfolio Advisor in the Lucia | Wealth Program offered through LCG. As such, Validus will receive model portfolio advisor fees if one of the model portfolios managed by Validus is selected as an investment option in any of these programs.

### Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary. As a

fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts. In addition, an investment adviser has a duty of utmost good faith to act solely in the best interest of each of its clients. Lucia Capital Group and its associated persons have a fiduciary duty to all clients. LCG has established a Code of Ethics that all associated persons must read. They must then execute an acknowledgment indicating that they understand and agree to comply with LCG's Code of Ethics. The fiduciary duty of LCG and its associated persons to clients is considered the core underlying principle for LCG's Code of Ethics and represents the expected basis for all associated persons' dealings with clients. LCG has the responsibility to make sure that your interests are placed ahead of its or its associated persons' own investment interests. All associated persons will conduct business in an honest, ethical, and fair manner. All associated persons will always comply with all federal and state securities laws. Full disclosure of all material facts and potential conflicts of interest will be provided to you prior to services being conducted.

All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect their duty of complete loyalty to their clients. This section is only intended to provide you with a general description of Lucia Capital Group's Code of Ethics. If you wish to review Lucia Capital Group's Code of Ethics in its entirety, a copy may be requested from any of Lucia Capital Group's associated persons, and a copy will be provided promptly.

#### Personal Trading Policy

Lucia Capital Group or its associated persons may buy or sell securities or have an interest or position in a security for their personal account that they also recommend to clients. This presents a conflict of interest between our clients' investment interests and the interests of our personnel. Therefore, we have formed the following procedures to help monitor and control for conflicts of interest arising from our personal trading policies:

- Lucia Capital Group is, and shall continue to be, in compliance with The Insider Trading and Securities Fraud Enforcement Act of 1988.
- No associated person shall prefer his or her own interest to that of an advisory client.
- No person employed by Lucia Capital Group may purchase or sell the same security prior to a transaction or transactions being implemented for an advisory account.
- Associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry.

Your adviser may provide you with advice regarding real estate partnerships and other private placement investments. Such investments are illiquid, which means that the investments can be difficult to trade and consequently limit a client's ability to dispose of such investments in a timely manner and at an advantageous price. Additionally, such investments may not be registered pursuant to the Securities Act of 1933, and therefore the client will need to complete a subscription agreement showing the client is an "accredited" investor (as defined by applicable law and rules and regulations) and acknowledging that he or she has read and understands the private placement memorandum and is aware of the various risk factors associated with such an investment.

Your adviser may in the future or currently have personally invested in private placement investments they also recommend to you. This creates a natural conflict of interest in that their personal investment

may motivate them to recommend the private placement investment over other private placement investments they have not personally invested in but that may be better suited for you or have better historical performance. To control for this conflict of interest, the adviser will disclose any personal investment interest they have in a private placement they recommend.

Further, in accordance with the Lucia Capital Group Code of Ethics and Personal Trading Policy, advisers are required to obtain written approval from Lucia Capital Group prior to personally investing in a private investment.

#### Participation or Interest in Client Transactions

LCG, its adviser representatives and affiliates may perform advisory and/or brokerage services for various other clients, and in so doing may give advice or take actions for those other clients based upon the client's particular needs or investment policies which may differ from the advice given to you. The timing and nature of any action taken for the account may also be different.

Pinhook, an affiliate of LCG, serves as the sub-adviser to the Destra Multi-Alternative Fund (the "Fund"), a continuously offered, diversified, closed-end investment company registered under the Investment Company Act of 1940. The Fund is an available investment option for clients of LCG on a fee basis through the WCAM Private Client Program or the Wealth Program and, on a commission basis, through its affiliated broker/dealer, LSL. LCG and LSL have set limitations on the amount of the client's net worth that may be invested in the Fund. To the extent that clients purchase the Fund or other mutual funds advised by our affiliates in advisory program accounts, including the Wealth program, your investment advisory representative fees will be waived or reduced in proportion to the amount of the advisory fee earned by our affiliate.

Investors in the Fund may be clients of LCG or LSL. However, the Fund will be open to any investor meeting the Fund's minimum investment levels. Clients of LCG and LSL pay the same Fund fees and sales charges as any other investor purchasing the Fund through an unaffiliated broker/dealer or investment adviser as outlined in the Fund's prospectus.

In addition to serving as investment adviser to the Fund, Pinhook's Chief Executive Officer, Raymond J. Lucia Jr. was personally responsible for the formation (including covering a significant portion of the start-up costs) of the Fund. Pinhook is the investment sub-adviser to the Fund and receives a management fee for its services. Increases in Fund assets will result in increases in the management fee paid to Pinhook.

In addition to the securities and insurance products listed above, your representative can also recommend clients invest in limited partnership securities, often referred to as private placements, for which LSL acts as an underwriter.

#### Review of Accounts

Each LCG investment adviser representative will contact his/her clients at least annually for the purposes of reviewing their accounts and determining if there have been changes in their financial situation or investment objectives. Any changes are then reported internally, as well as to the portfolio manager, as

necessary. At least quarterly, Lucia Capital Group shall notify each client in writing to contact Lucia Capital Group if there have been any changes in the client's financial circumstances or investment objectives, or if the client wishes to impose any reasonable restrictions on the management of the account or to reasonably modify any existing restrictions and shall provide the client with a means through which such contact can be made.

LCG provides your adviser representatives with periodic performance reports, as well as regularly scheduled sessions with portfolio managers. Model Portfolio Advisors may also provide quarterly holdings and performance information which is available from LCG or your adviser representative. Portfolio strategies and individual client accounts are reviewed by the client's LCG investment adviser representative regularly. The calendar is the main triggering factor, although more frequent reviews may also be triggered by changes in the client's circumstances, client request, or changes within the market.

### Client Referrals and Other Compensation

#### Client Referrals

LCG has entered into solicitor arrangements whereby LCG pays solicitors for referring individuals that may benefit from LCG's services. The arrangements are in compliance with federal and state regulations (as applicable) specific to the payment of compensation to referring parties (solicitors). The solicitation/referral fee is paid pursuant to a written agreement retained by both LCG and the referring party. The solicitor is required to provide prospective LCG clients with a copy of LCG's disclosure document and a solicitor disclosure statement at the time of solicitation. Solicitors are not permitted to offer clients any investment advice on behalf of LCG.

#### Other Compensation

LCG's adviser representatives or associated persons sell securities in their separate capacities as registered representatives of LSL. Some of the associated persons are also independently licensed insurance agents and sell insurance products. Commissions are earned when selling these products.

We and our affiliated broker-dealer LSL offer a variety of approved products to our IARs to serve your needs. Products approved for sale through LSL are offered through product sponsors who may pay extra compensation to LSL. These sponsors have greater access to our financial advisers to provide education and training opportunities. In return for increased exposure, these sponsors compensate the firm in the form of revenue sharing. Although certain product sponsors pay extra compensation to LSL, clients do not pay more to purchase these products through us than clients would pay to purchase them elsewhere. This extra compensation is based in part on the total amount of assets that our IARs refer to their products and services. There may be a financial incentive to promote certain products because of this extra compensation. Because IARs do not receive a direct financial benefit from revenue sharing, we believe that these relationships do not compromise the advice provided by our representatives. Additional information regarding revenue sharing payments may be found at [www.luciasecurities.com](http://www.luciasecurities.com) or by contacting LSL at 800-644-1150.

From time to time, LCG and/or LSL may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product

sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing, such as advertising, publishing, and seminar expenses.

Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by basing investment decisions on the individual needs of our clients.

### Financial Information

Lucia Capital Group does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Lucia Capital Group has not been the subject of a bankruptcy petition at any time.

### Brokerage, Clearing, and Custody

LCG does not maintain custody of the assets that we manage although we may be deemed to have custody of your assets if the client gives us authority to withdraw assets from the account. Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer. We may require or recommend the use of a specific broker-dealer. Lucia | Wealth Program accounts must generally be established through Lucia Capital Group’s affiliated broker/dealer, LSL. LCG offers limited access to other broker/dealer or custodians acceptable to LCG for select clients and advisers.

We seek to use a broker/custodian who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers, their services and how these services will best meet the needs of an individual client and the program that we offer.

- Combination of transaction execution services along with asset custody services
- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capabilities to facilitate transfers and payments to and from accounts (electronic fund transfers, wire transfers, check requests, bill payment, etc.)
- Breadth of investment products available (stocks, bonds, mutual funds, exchange traded funds (ETFs), interval funds and alternative investments, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- Reputation, financial strength and stability of the provider
- Their prior service to us and our clients

- Availability of other products and services that benefit us (See Arrangement with LSL and RBC Correspondent Services and Arrangement with Schwab below)

LCG has determined that the use of LSL and RBC Correspondent Services a division of RBC Capital Markets, LLC, member NYSE/FINRA/SIPC (“RBC CM”) allows LCG to provide greater oversight as well as more streamlined operational and trading services in the Lucia | Wealth wrap fee program we sponsor for a majority of our clients. We may utilize Charles Schwab & Co. (“Schwab”) as the broker dealer for select clients only which may have higher investment requirements and is generally reserved for clients who are not already clients of LSL or those that have a pre-existing relationship with Schwab.

Commission and fee structures of various broker/dealers, along with services, research, and tools are periodically reviewed by LCG in order to evaluate the overall execution services provided by LSL, RBC CM and Schwab. Accordingly, while LCG will consider competitive rates, it may not necessarily obtain the lowest possible commission and brokerage rates for your account transactions. Therefore, the overall services provided by LSL, RBC CM and Schwab are evaluated to determine the level of best execution provided to our clients. However, considering LCG currently requires use of the brokerage services of LSL and RBC CM for a majority of our clients, we may not be able to achieve the most favorable execution of client transactions, and therefore our practice of requiring the use of LSL and RBC CM in these programs may cost you more money.

#### Arrangement with Lucia Securities, LLC and RBC Correspondent Services

If you choose to have LCG’s investment adviser representatives implement the advice in their capacity as registered representatives of LSL; through the Lucia | Wealth wrap-fee program sponsored by LCG, generally LCG’s affiliated broker/dealer, LSL, must be used. Advisers of LCG may be registered representatives of LSL and are required to use the services of LSL and its approved clearing broker/dealer when buying or selling commission-based securities products. LSL has a wide range of approved securities products on which LSL performs due diligence prior to selection. LSL’s registered representatives may only sell securities products that have been approved by LSL. In the case where you own both commission-based securities products and invest in our fee-based programs, we will generally recommend the use of LSL and the Lucia | Wealth wrap-fee program in order to consolidate your accounts with one custodian.

All brokerage accounts established through LSL will be cleared and held at RBC CM, which acts as the qualified custodian. The decision to use RBC CM as the qualified custodian in these programs is based on LSL’s arrangement with RBC CM that works with FINRA-member, introducing broker/dealers such as LSL. RBC CM is a wholly owned subsidiary of Royal Bank of Canada. The requirement to use RBC CM (which is not affiliated with LSL and/or LCG) is based on the fact that LSL has established a clearing agreement with RBC CM, as its preferred clearing broker/dealer and qualified custodian. Because LCG and LSL are under common ownership and have some of the same executive officers and supervisors, the decision to use RBC CM was mutually determined by LSL and LCG. The decision to use RBC CM is based on a comparison of RBC CM against other clearing broker/dealers (including past experiences we have had with other broker/dealers), and is aimed at minimizing brokerage expenses and other costs while taking into account the offerings and services RBC CM provides that LSL, LCG, or clients may require or find valuable. LSL and/or LCG receive incentives as detailed below as a result of utilizing RBC CM as the qualified custodian and

clearing firm:

- LSL received a one-time incentive payment in the amount of \$1.5 million from RBC in 2017;
- LSL receives mark up on various customer fees;
- LSL receives mark up on clearance charges;
- LSL shares interest on margin/ cash (credit interest program -CIP), money market balances or premier lines of credit and RBC Bank Deposit Program Revenue Sharing.

While the receipt of these incentives and compensation creates conflicts of interest, LSL and LCG believe that the utilization of RBC CM is nonetheless consistent with the firm's duty to its clients, having evaluated the overall services provided by RBC CM based on the criteria outlined previously to determine the overall execution quality provided to our clients.

#### Products and Services Available to Us from Lucia Securities, LLC and RBC Correspondent Services

LSL has a wide range of approved securities products on which LSL performs due diligence prior to selection. LSL's registered representatives may only sell securities products that have been approved by LSL. You should understand that not all investment advisers require the use of a particular broker/dealer or the use of a broker/dealer that is affiliated with the investment adviser. Our decision to require the use of LSL in the above programs is based on LCG's decision that we can provide efficient and cost-effective services through our affiliated broker/dealer. However, the use of an affiliated broker/dealer is an inherent conflict of interest between LCG and our clients because requiring our clients to use LSL as the broker/dealer allows LSL to retain brokerage revenue that would otherwise be retained by an unaffiliated broker/dealer. For example, LSL will retain a percentage of the overall management fee charged to clients through the wrap fee program sponsored by LCG for the brokerage services it performs.

While you may be able to attain brokerage services with lower costs and expenses, you should be aware of some of the qualitative factors we consider in selecting LSL and RBC CM as providers for our Lucia | Wealth wrap fee program. These factors include, but are not necessarily limited to, the following:

- We can rely on the internal staff of LSL to provide supervisory, operations, trading, and other services.
- RBC CM can provide numerous specialized service groups including designated support staff dedicated to servicing LSL and Lucia | Wealth accounts and a training/educational department that provides online, telephone, and on-site training of RBC CM products, tools, and offerings.
- RBC CM's back-office system generates exception reports designed to monitor all aspects of brokerage accounts, including trading, money movement, transfers, and client account data. Client paperwork is processed through a secure electronic workflow and storage system. In most cases, e-signatures are accepted.
- RBC CM's electronic trading platform provides a real-time order matching system, the ability to "block" client trades, and account balance and position information.
- Clients may access their account information over the internet, including balances, transactions, positions, statements, confirmations, and tax documents.
- Advisory fees can be calculated on aggregated account balances and are debited directly from client accounts.



### Arrangement with Schwab

Select clients that are generally not also clients of LSL may use Charles Schwab & Co., Inc (“Schwab”), a FINRA registered broker-dealer, member SIPC, as the qualified custodian. Schwab Advisor Services serves independent investment advisers (“RIA’s”) like us and includes the custody, trading and support services of Schwab. RIAs are not owned, affiliated with or supervised by Schwab. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we/you instruct them to. While we request that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you.

### Products and Services Available to Us from Schwab

Schwab Advisor Services, a division of Schwab, is Schwab’s business serving investment advisory firms like us. They provide us and our clients with access to its institutional brokerage services including trading, custody, reporting and related services, many of which are not typically available to Schwab retail customers. Some of those services help us manage or administer our clients’ accounts while others help us manage and grow our business. Here is a more detailed description of Schwab’s support services:

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.

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 client’s accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service our client’s investing in our WCAM Private Client Program, in managing our WCAM Focused Equity Model and for Lucia | Wealth accounts. 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, 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, and access to employee benefit providers, human capital consultants and insurance providers. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide 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. Irrespective of direct or indirect benefits to our client through Schwab, we strive to enhance the client’s experience, help reach their goals and put their interests before that of our firm or its associated persons.



The availability of these services from Schwab benefits LCG because it does not have to produce or purchase them. LCG does not have to pay for Schwab's services so long as it keeps a certain amount of client assets in accounts at Schwab. The minimum amount may give LCG an incentive to recommend that clients maintain their accounts with Schwab based on its interest in receiving Schwab's services that benefit its business rather than based on clients' interest in receiving the best value in custody services and the most favorable execution of clients' transactions. This is a potential conflict of interest. LCG believes, however, that its selection of Schwab as custodian and broker for select Lucia|Wealth accounts and the WCAM Private Client Program is in the best interest of its clients. It is primarily supported by the scope, quality, and price of Schwab's services (based on the factors discussed above) and not Schwab's services that benefit only LCG. LCG does not believe that maintaining clients' assets at Schwab in order to avoid paying Schwab certain fees presents a material conflict of interest.

#### Aggregation of Client Orders

Transactions we implement for your accounts for non-model portfolios are generally effected independently unless LCG decides to purchase or sell the same securities for several clients at approximately the same time as would be the case when a model portfolio advisor sends trading signals to LCG. This process is referred to as aggregating orders, batch trading, or block trading, and it is used by LCG when we believe such action may prove advantageous to clients.

When we aggregate client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, negotiate more favorable commission rates, or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Under this procedure, transactions will be averaged as to price and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. When we determine to aggregate client orders for the purchase or sale of securities, including securities in which we may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter; "*SMC Capital, Inc.*" It should be noted that we do not receive any additional compensation or remuneration as a result of aggregation.

When executing transactions in model portfolios, LCG will generally aggregate client orders rather than placing trades on an individual, account-by-account basis. Partially filled orders are generally allocated ratably among accounts. When client orders are aggregated, the allocation of securities among client accounts will be done on a fair and equitable basis.

#### No Agency Cross or Principal Transactions

Principal transactions are not affected by Lucia Capital Group or any other person (buying securities for itself or selling securities it owns to any client) in LCG accounts. No transactions are effected in which LCG client securities are sold to or bought from a commission-only brokerage account.

## Custody

Custody, as it applies to investment advisers, has been defined by the SEC as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser, or any of its affiliated companies, can access or control client funds or securities, the investment adviser is deemed to have custody for purposes of the Investment Advisers Act of 1940 and must ensure proper procedures are implemented.

Based on the SEC's definition, LCG and/or LSL are deemed to have custody over accounts managed by Lucia Capital Group through the WCAM Private Client and Lucia | Wealth programs. For these accounts, LCG and LSL have established the following procedures to comply with the SEC's Custody Rule:

- All client funds and securities are held at a qualified custodian in a separate account for each client under that client's name.
- Clients, or independent representatives of clients, will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name and address and the way the funds or securities are maintained.
- Account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from LCG. When clients have questions about their account statements, they should contact LCG or the qualified custodian preparing the statement.
- In accordance with SEC regulations, LCG is subject to an annual surprise verification examination and LSL is subject to an annual internal control review.
- LCG must engage an independent, third-party accounting firm to perform an annual, surprise examination verifying the location of client funds and securities and ensuring the accuracy of quarterly statements. When completed, the accounting firm's report will be available through the SEC's Investment Adviser Public Disclosure page at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our information on this website by searching for "Lucia Wealth Services, LLC" or "Lucia Capital Group." You can also search using the firm's CRD number. The CRD number for the firm is 152396.
- An internal control report must include the opinion of an independent public account as to whether controls in place as of a specific date are suitably designed for our business operations and, effectively meeting the control objectives relating to custodial services held by LSL on behalf of our clients. The accounting firm must also verify that funds and securities of which LSL is deemed to have custody are reconciled to a qualified custodian. The internal control report is prepared by a third-party accounting firm not affiliated in any way with Lucia Capital Group that is registered with and subject to regular inspection by, the Public Company Accounting Oversight Board (PCAOB).