



FORM ADV PART 2A - FIRM BROCHURE

Item 1 – Cover Page

Level Four Capital Management, LLC
12400 Coit Road, Suite 700
Dallas, TX 75251
866-834-1040
<http://www.levelfourcapital.com>

Date of Brochure: March 31, 2021

This brochure provides information about the qualifications and investment advisory business practices of Level Four Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at 866-834-1040. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about our investment advisory business is also available on the Internet at www.adviserinfo.sec.gov. You can view our information on this website by searching for "Level Four Capital Management, LLC." You can also search using the Firm's CRD number. The CRD number for the Firm is **304792**.

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

Item 2 – Material Changes

Since its last brochure update, the firm has made the following material changes to this brochure:

- Item 4 (Advisory Business) This section has been updated to reflect assets under management as of 12/31/2020
- Item 5 (Account Requirements and Types of Clients) This section has been updated to delete reference to the Digital Asset Program which is no longer offered and to add a description regarding the ICA Platform Program.
- Item 10 (Other Financial Industry Activities and Affiliations) - This section has been updated to reflect shared resources with Harbor Financial Services, LLC, an affiliated entity. Additional revisions were made to add clarifying language with respect to Securities Backed Lines of Credit accounts.
- Item 12 (Brokerage Practices) - This section has been updated to add disclosures relating to practices with an affiliated entity.
- Item 14(Client Referrals and Other Compensation) This section has been updated to delete references to transition assistance programs which may be offered to referring advisors (rather than LFCM representatives) by custodial partners.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31, so you will receive the summary of material changes, if any, no later than April 30 each year. At that time, we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

Item 3 - Table of Contents

Item 1 – Cover Page.....	1
Item 2 – Material Changes	2
Item 4 – Advisory Business.....	5
Introduction	5
Client Assets Managed by LFCM	5
General Description Advisory Services	5
Types of Investments.....	6
Item 5 – Account Requirements and Types of Clients	6
Asset Management	6
Other Types of Fees or Expenses.....	8
Item 6 – Performance-Based Fees and Side-By-Side Management	9
Item 7 – Types of Clients	9
Minimum Investment Amounts Required.....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	9
LFCM Equity Portfolios.....	10
LFCM Fixed Income Portfolios	10
Asset Allocation	11
Risk of Loss	11
Item 9 – Disciplinary Information	18
Item 10 – Other Financial Industry Activities and Affiliations.....	18
Affiliation/Dual Registration with Level Four Advisory Services, LLC	19
Affiliation with Harbor Financial Services, LLC.....	19
Affiliation/Dual Registration through Level Four Insurance Agency	19
Dual Registration with LPL Financial	19
Affiliation with Carr, Riggs & Ingram, L.L.C.....	19
Affiliation with Preferred Legacy Trust	19
Securities Backed Lines of Credit.....	20
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading	20
Code of Ethics Summary	20
Affiliate and Employee Personal Securities Transactions Disclosure.....	21
Reporting Requirements	21
Item 12 – Brokerage Practices.....	21
Benefits Received by LFCM Personnel.....	22
Trade Away Services	23
Broker-Dealer Selection Process	24
Research and Other Soft Dollar Benefits	24
Aggregation of Client Orders-Block Trading Policy.....	25
Trade Errors	25
Item 13 – Review of Accounts.....	25
Statements and Reports.....	26
Item 14 – Client Referrals and Other Compensation	26
Item 15 – Custody	26
Item 16 – Investment Discretion	26

Item 17 – Voting Client Securities	27
Item 18 – Financial Information.....	27
CUSTOMER PRIVACY POLICY	28
BUSINESS CONTINUITY PLAN DISCLOSURE	30

Item 4 – Advisory Business

Introduction

Level Four Capital Management, (referred to as “LFCM”, the “Firm”, “us” and “we” in this Disclosure Brochure), is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a Limited Liability Company formed under the laws of the State of Texas.

The Firm was formed in June 2019 primarily provides asset management services. The Firm will be managing assets previously managed by Level Four Asset Management (“LFAM”), a division of Level Four Advisory Services, LLC (“LFAS”), an affiliate company sharing common ownership with LFCM as detailed below.

The Firm is owned and controlled by Level Four Group. Level Four Group is a holding company and the 100% owner of LFCM. Level Four Group is owned and operated by Carr, Riggs & Ingram Capital, LLC, a Delaware limited liability company. Carr, Riggs & Ingram Capital, LLC is 100% owned by Carr, Riggs & Ingram, L.L.C., an Alabama limited liability company. No individuals own more than 25% of Carr, Riggs & Ingram, LLC. Level Four Advisory Services, LLC is an affiliate company and SEC registered investment adviser also owned and controlled by Level Four Group.

Client Assets Managed by LFCM

The amount of client assets managed by LFCM *totalled* approximately \$790,936,094 as of December 31, 2020. \$790,936,094 is managed on a discretionary basis and \$0 is managed on a non-discretionary basis.

General Description Advisory Services

LFCM primarily provides advisory services in the form of asset management services directly or through either a Third-Party arrangement or a Sub-Advisory arrangement with either affiliated or unaffiliated SEC and state-registered investment advisory firms to individuals, high net worth individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

More specifically, LFCM has developed separately managed accounts and various asset allocation models intended to achieve a particular investment goal or to meet particular risk and return characteristics. These models are not tailored to accommodate the needs or objectives of a specific individual, but rather are designed to enable an advisor to match its clients to an investment solution that is overall consistent with that client’s investment goals and objectives.

LFCM provides portfolio management for managed asset programs that are offered on a wrap fee or non-wrap fee basis through a managed account program using accounts established with Raymond James and Associates, LPL Financial, TD Ameritrade Institutional, Fidelity Institutional Wealth Services and other qualified custodians as approved by LFCM. The accounts established through these custodians are held in separate account(s) in the name of the end client. The applicable custodian maintains physical custody of all funds and securities in that account, with the end client retaining all rights of ownership, including without limitation, the right to withdraw securities funds and the right to exercise or delegate proxy voting.

Sub-Advisory relationship. In connection with such services, LFCM does not have a direct investment advisory relationship with either the advisor or the advisor’s end clients, nor does LFCM conduct an independent investigation of

the advisor's end client or the client's financial condition. Instead, the 'referring advisor' who may either be a registered advisory representative with Level Four Advisory Services, LLC, ("LFAS") or another referring advisor serves as the advisor to its client, and is responsible for analyzing the client's current financial situation, risk tolerance, time horizon, and asset class preference. LFCM serves as a sub-advisor according to the terms of a written Sub-Adviser Agreement. The referring adviser is responsible for the recommendation and selection of LFCM on behalf of the client.

These asset management services are provided on a discretionary basis and LFCM accordingly makes all decisions to buy, sell or hold securities, cash or other investments in the managed account without consulting you as the end client and you

must provide written authorization for this exercise of discretionary authority at the time your account is established. This discretionary authority is limited to trading authorization only and LFCM will not have access to your funds and/or securities with the exception of having advisory fees debited directly from your account and paid to LFCM by the account custodian.

When client accounts are managed using models, investment selections are based on the underlying model and the firm does not typically develop customized (or individualized) portfolio holdings for each client. However, the firm may on an exception basis, develop portfolio holdings on an individualized basis based upon client-imposed social restrictions or as otherwise agreed to on a case by case basis. The determination to use a particular model or models is always based on each client's individual investment goals, objectives and mandates and is assessed in consultation with the referring adviser.

Once the advisor allocates one or more investment styles or models to a client's account, assets allocated to the strategy or model by the advisor will be invested by LFCM in accordance with the applicable investment style or model, as updated by LFCM's investment committee from time to time.

Client assets that are allocated to an investment style or model are subject to the risk that performance may deviate from the performance of a style or model.

Types of Investments

LFCM offers actively managed portfolios consisting of equities, fixed income (including without limitation government securities, investment grade and high yield corporate bonds, floating rate senior loans, emerging market debt, mortgage - backed securities, and ultra-short duration securities), mutual funds and exchange traded funds ("ETF's).

Item 5 – Account Requirements and Types of Clients

In addition to the information provided in Item 4 – Advisory Business, this section provides details regarding LFCM's services along with descriptions of each service's fees and compensation arrangements. Clients are advised that they may pay more or less than other clients for similar services, however the fees clients will pay for advisory services will not exceed the fees established in the descriptions below.

Asset Management

This section is intended as a summary of the Wrap Fee Programs sponsored by LFAS through which asset management services may be provided by LFCM. Clients working with an LFAS Advisory Representative as the referring adviser will receive the corresponding Wrap Fee Program Brochure of LFCM as the sub-adviser which provides detailed information on the chosen program.

A. Wealth Management Program

Through the Wealth Management Program, LFCM provides asset management services with respect to buying, selling, reinvesting, or holding securities, cash or other investments held by qualified custodians, including, without limitation, LPL Financial, TD Ameritrade, and Fidelity Institutional Wealth Services.

LFCM will provide the exact percentage-based fee to each client based on both the nature and total dollar asset value of the account(s). Management fees for client accounts are calculated and billed quarterly in advance based on the fair market value of client's account(s) assets under management as of the last business day of the previous calendar quarter. Fee calculations are adjusted for deposits and withdrawals from the client's account(s), pro-rated from the transaction date to the end of the previous quarter. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. In the event a client terminates an advisory agreement with LFCM and a referring advisor, any unearned fees resulting from payments made by clients in advance will be refunded to the client.

The maximum fee charged in the program is 1.00%.

Fees charged to your account(s) may be negotiable and thus may be higher or lower than fees charged to other clients based on the investment adviser representative providing the services, your financial situation and circumstances, the amount of assets under management, the strategy or models used to manage accounts, and the complexity of the services provided.

In a sub-advisory relationship, fees are paid to LFCM which will in turn may pay a portion of the fees to the referring advisor, including without limitation, one that may be associated with affiliate company, LFAS. The specifics of the fee billing and distribution processes will be outlined in the agreement executed between LFCM and the referring adviser. Fees will typically be debited from your account by the account custodian pursuant to written authorization provided at the establishment of the account. The account custodian will provide client statements at least quarterly, showing all deductions from the account, including any associated with the advisory fee payment.

B. Participant Asset Management Program

LFCM provides investment supervisory services defined as giving continuous investment advice to a client and making investments for the client based on the individual needs of the client through the Participant Asset Management Program. Services for this program are provided primarily to participants in employer-sponsored retirement plans and small-business retirement plans. Specifically, we provide advice to individual retirement plan accounts such as, but not limited to, 403(b) and 401(k) participant accounts.

The annual investment advisory fee charged to Program accounts participating in the Participant Asset Management program will not exceed 1.25% of the assets held in the account on an annual basis. The annual fee is negotiable with the client depending on the market value of the account, asset types, the client's financial situation and trading activity.

C. ICA Platform Program

Asset management services may also be provided through a wrap fee program sponsored by affiliate company, LFAS which is provided through its association with Harbor and Raymond James & Associates (RJA). This Program has been developed through an arrangement Raymond James & Associates ("RJA") whereby LFAS utilizes RJA's ICA platform. Through the Program, LFAS provides investment management (also known as asset management) services which are defined as providing continuous investment advice to a client and making investments for the client based on the individual needs of the client and such investment management services may in turn be offered on a sub-advised basis by LFCM. The annual investment advisory fee charged to accounts participating in the ICA Platform Program will not exceed 2.5% of the assets held in the account on an annual basis. In its capacity as sub-advisor, fees are paid to LFCM which will in turn may pay a portion of the fees to the referring advisor, including without limitation, one that may be associated with affiliate company, LFAS. The specifics of the fee billing and distribution processes will be outlined in the agreement executed between LFCM and the referring adviser. Fees will typically be debited from your account by the account custodian pursuant to written authorization provided at the establishment of the account. The account custodian will provide client statements at least quarterly, showing all deductions from the account, including any associated with the advisory fee payment. In addition to the LFCM Part 2A brochure, clients working with a LFAS representative as the referring adviser in this program will receive the appropriate ICA Platform Wrap Fee Program Brochure of LFAS which provides more detailed information on that program.

Other Types of Fees or Expenses

LFCM may include mutual funds and exchange traded funds, (ETFs) in asset management strategies. LFCM's general policy is to purchase institutional share classes of those mutual funds that may be selected for a client's portfolio. The institutional share class generally has the lowest expense ratio and are less costly for a client to hold than Class A shares or other share classes that are eligible for purchase in an advisory account. The expense ratio is the annual fee that all mutual funds or ETFs charge their shareholders. It expresses the percentage of the assets deducted each fiscal year for fund expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Some fund families offer different classes of the same fund and one share class may have a lower expense ratio than another share class. The expenses come from the client assets which could impact the client's account performance. Mutual fund expense ratios are in addition to our fee and we do not receive any portion of these charges. Mutual funds that offer institutional share classes, advisory share classes and other share classes with lower expense ratios are available to investors who meet specific eligibility requirements that are described in the mutual fund's prospectus or its statement of additional information. These eligibility requirements include, but may not be limited to, investments meeting certain minimum dollar amounts and accounts that the fund considers qualified fee-based programs. If an institutional share class is not available for the mutual fund selected, LFCM will endeavor to purchase the least expensive share class available for that particular mutual fund. However, the lowest-cost mutual fund share class for a particular fund may not be offered or available through specific types of LFCM program accounts. Clients should never assume that they will be invested in the share class with the lowest possible expense ratio or cost.

In addition to reading this Brochure carefully, LFCM urges clients to discuss with their referring advisor whether lower-cost share classes are appropriate and available in their particular program account in consideration of their expected investment holding periods, amounts invested, and anticipated trading frequency. Clients should also ask their referring advisor why the particular funds or other investments that will be purchased or held in their managed account are appropriate for them in consideration of their expected holding period, investment objective, risk tolerance, time horizon, financial condition, amount invested, trading frequency, the amount of advisory fee charged, whether the client will pay

transactions charges for fund purchases and sales, whether clients will pay higher internal fund expenses in lieu of transactions charges that could adversely affect long-term performance, and relevant tax considerations. Your advisor may recommend, select, or continue to hold a fund share class that charges you higher internal expenses than other available share classes for the same fund. Further information regarding fees and charges assessed by a mutual fund is available in the appropriate mutual fund prospectus.

Upon termination of your account, LFCM may liquidate or exchange investments for the share class corresponding to the size of your individual investment in the fund. Dollars received from the redemption of fund shares outside of LFCM's management may have tax consequences or additional costs from sales charges and/or redemption fees. Such fees would be in addition to our fee. LFCM will not receive any portion of any redemption fees that may be charged by third parties.

Item 6 – Performance-Based Fees and Side-By-Side Management

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because LFCM does not charge or accept performance-based fees which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

Item 7 – Types of Clients

LFCM generally provides investment advice and investment management services through either a third-party arrangement or a sub-advisory arrangement with either affiliated (LFAS) or unaffiliated SEC and state-registered investment advisers to the following types of clients:

- Individuals
- Pension and profit-sharing plans
- Trusts and estates
- Corporations or business entities other than those listed above

Minimum Investment Amounts Required

For accounts managed in investment strategies developed by the LFCM Investment Committee, a minimum of \$50,000 is required for asset allocation models, \$100,000 for equity portfolios, \$250,000 for fixed income, and \$250.00 for participation in the digital advice program. Exceptions to these minimums may be granted at the discretion of LFCM.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

The LFCM approach to investment management employs a blend of internal, proprietary investment portfolios managed by our team of professionals, as well as externally sourced investment solutions to compliment a client's target allocation. It is this mix of capabilities that allows us to access the best solution on behalf of clients. We believe this approach offers us the best of both worlds in high caliber separately managed accounts, and industry leading capabilities in the mutual fund and exchange traded fund space to maximize the growth and protective features of client portfolios. Our ultimate objective is to deliver upon a disciplined investment philosophy and create custom solutions.

LFCM Equity Portfolios

LFCM offers actively managed equity portfolios across a range of investment styles. Our individual security portfolios deliver to clients a customized solution designed to achieve a client's objective. LFCM portfolio managers employ a disciplined investment process, applying both quantitative analysis and fundamental research to construct diversified portfolios.

- Quantitative Screening – Begin with a global universe of publicly traded stocks. Then, employ a series of proprietary quantitative screens to filter for structural constraints and superior financial characteristics.
- Fundamental Analysis – Perform valuation analysis of historical stock price and company earnings data. Review each company's fundamental qualities to determine the stock's intrinsic value and growth opportunities.
- Portfolio Construction – Construct a diversified portfolio of 40-50 stocks that possess superior financial characteristics, subject to risk controls.
- Sell Discipline – Fundamental re-evaluation of portfolio holdings to validate deterioration of factors and overall investment thesis.

LFCM Fixed Income Portfolios

LFCM offers actively managed fixed income portfolios for taxable and tax-exempt investors through a sub-advisory relationship with First Trust Advisors and Lisanti Capital Growth, LLC to manage, invest, and reinvest fixed income assets. These strategies can be customized to meet the individual investment goals of our clients, with particular emphasis on capital preservation and competitive total returns. Client portfolios can be customized to address tax status and state of residence, credit quality, target duration, and cash flow requirements.

- Tax-Exempt Portfolios - Quantitative analysis and fundamental research seeks to find higher yielding undervalued bonds within the municipal market. The investment process begins by applying total return scenario analysis using multiple interest rate assumptions over different time horizons to help select bonds with the most favorable total returns over multiple interest rate scenarios (i.e. movements). This method takes advantage of the inefficiencies within the municipal market through an investment process that combines diligent credit analysis of individual borrowers coupled with a thorough understanding of the major opportunities and risks within municipal sectors.
- Taxable Portfolios - We evaluate the core and unconventional fixed income universe. Asset classes include, but are not limited to, government securities, investment grade and high yield corporate bonds, floating rate senior loans, emerging market debt, mortgage-backed securities, and ultra-short duration securities. The process systematically evaluates relative strength, investment outlook, and relative valuation among asset classes to determine allocations that best capture market trends and near-term opportunities. This approach seeks to manage interest rate risk and credit exposure to arrive at optimal asset class allocations. The core framework is designed around seeking total return as a primary objective with preservation of capital as a secondary objective. Risk management is a critical component of the entire process and is embedded in both the fundamental credit analysis and portfolio construction.

Asset Allocation

For clients seeking a comprehensive solution, LFCM Asset Allocation models seek to provide the highest rate of return for a given level of risk. Our investment selection and allocation is based on forward-looking capital market assumptions and an in-depth investment screening process to optimize the appropriate mix of equity, bond, and alternative investments. The investment process employed utilizes a combined Top-Down and Bottom-Up approach to formulate the Strategic Models.

- **MACRO ANALYSIS TO DETERMINE CAPITAL MARKET ASSUMPTIONS** - Macro Analysis employs both internal and externally sourced research. Internal research tools include quarterly Economic Strategy Workbook, historical market data, and analysis of the current Economic and Business Cycle. Externally, we source and leverage high quality street research.
- **ASSET ALLOCATIONS AND MODEL ESTABLISHMENT** - Current model allocations are determined and established based on the application of the investment committee's research and analysis work within the confines of the investment process.
- **SECURITY SELECTION** - Using our security selection process, we build the model portfolios bottom-up, employing a multi-factor scoring system to identify investment vehicles that exhibit robust risk and return characteristics.

Generally speaking, portfolios will be designed based on the following objectives:

- Income with Capital Preservation,
- Income with Moderate Growth,
- Growth with Income,
- Growth, and
- Aggressive Growth

In the development of these portfolios, LFCM's Investment Committee uses industry standard techniques that include technical analysis and fundamental analysis. Each model engages its own type of techniques, execution tactics and use of research tools to enhance the ability to manage assets effectively in accordance with its stated objectives. The firm utilizes a number of standard industry research sources and publications including without limitation, Bloomberg.

Risk of Loss

Given the very wide range of investments in which a Client's assets may be invested, either directly by investing in individual securities and/or through one or more pooled investment vehicles or funds, there is similarly a very wide range of risks to which a Client's assets may be exposed. This Brochure does not include every potential risk associated with an investment strategy, or all of the risks applicable to a particular advisory account. Rather, it is a general description of the nature and risks of the strategies and securities and other financial instruments in which advisory accounts may invest. The particular risks to which a specific Client might be exposed will depend on the specific investment strategies incorporated into that Client's portfolio. As such, 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.

Set forth below are certain material risks to which a Client might be exposed in connection with LFAS's implementation of a strategy for Client accounts:

- **Absolute Return** – A portfolio that seeks to achieve an absolute return with reduced correlation to stock and bond markets may not achieve positive returns over short or long-term periods. Investment strategies that have historically been non-correlated or have demonstrated low correlations to one another or to stock and 10 bond markets may become correlated at certain times and, as a result, may cease to function as anticipated over either short or long-term periods.
- **Asset Allocation Risk** – 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.
- **Asset-Backed Securities Risk** – Payment of principal and interest on asset-backed securities is dependent largely on the cash flows generated by the assets backing the securities. Securitization trusts generally do not have any assets or sources of funds other than the receivables and related property they own, and asset-backed securities are generally not insured or guaranteed by the related sponsor or any other entity. Asset-backed securities may be more illiquid than more conventional types of fixed-income securities that the portfolio may acquire.
- **Below Investment Grade Securities (Junk Bonds) Risk** – Fixed income securities rated below investment grade (junk bonds) involve greater risks of default or downgrade and are generally more volatile than investment grade securities because the prospect for repayment of principal and interest of many of these securities is speculative. Because these securities typically offer a higher rate of return to compensate investors for these risks, they are sometimes referred to as "high yield bonds," but there is no guarantee that an investment in these securities will result in a high rate of return. These risks may be increased in foreign and emerging markets.
- **Corporate Fixed Income Securities Risk** – Corporate fixed income securities respond to economic developments, especially changes in interest rates, as well as to perceptions of the creditworthiness and business prospects of individual issuers.
- **Credit Risk** – The risk that the issuer of a security, or the counterparty to a contract, will default or otherwise become unable to honor a financial obligation. **Currency Risk** – As a result of investments in securities or other investments denominated in, and/or receiving revenues in, foreign currencies the risk that foreign currencies will decline in value relative to the U.S. dollar, or, in the case of hedging positions, that the U.S. dollar will decline in value relative to the currency 11 hedged. In either event, the dollar value of an investment in the portfolio would be adversely affected. To the extent that a portfolio takes active or passive positions in currencies it will be subject to the risk that currency exchange rates may fluctuate in response to, among other things, changes in interest rates, intervention (or failure to intervene) by U.S. or foreign governments, central banks or supranational entities, or by the imposition of currency controls or other political developments in the United States or abroad.
- **Cybersecurity Risk** - Intentional cybersecurity breaches such as unauthorized access to systems, networks or devices, computer viruses or other malicious software code and other cyberattacks that shut down, disable, slow or otherwise disrupt business operations, processes or website access or functionality represent another risk for clients. In addition, unintentional incidents can occur, such as the inadvertent release of confidential information. Such breaches could result in the loss or theft of customer data or funds, the inability to access electronic systems,

loss or theft of proprietary information, physical damage to a computer or network system, or costs associated with system repairs.

- **Depository Receipts** – Depository receipts, such as American Depositary Receipts (ADRs), are certificates evidencing ownership of shares of a foreign issuer that are issued by depository banks and generally trade on an established market. Depository receipts are subject to many of the risks associated with investing directly in foreign securities, including among other things, political, social and economic developments abroad, currency movements, and different legal, regulatory and tax environments.
- **Duration Risk** – Longer-term securities in which a portfolio may invest tend to be more volatile than shorter term securities. A portfolio with a longer average portfolio duration is more sensitive to changes in interest rates than a portfolio with a shorter average portfolio duration.
- **Equity Market Risk** – The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Equity market risk may affect a single issuer, an industry, a sector or the equity or bond market as a whole.
- **Exchange-Traded Funds (ETFs) Risk (including leveraged ETFs)** – The risks of owning shares of an ETF generally reflect the risks of owning the underlying securities the ETF is designed to track, although lack of liquidity in an ETF could result in its value being more volatile than the underlying portfolio securities. Leveraged ETFs contain all of the risks that non-leveraged ETFs present. Additionally, to the extent the portfolio invests in ETFs that achieve leveraged exposure to their underlying indexes through the use of derivative instruments, the portfolio will indirectly be subject to leverage risk, described below. Leveraged Inverse ETFs seek to provide investment results that match a negative multiple of the performance of an underlying index. To the extent that the portfolio invests in Leveraged Inverse ETFs, the portfolio will indirectly be subject to the risk that the performance of such ETF will fall as the performance of that ETF's benchmark rises. Leveraged and Leveraged Inverse ETFs often "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Due to the effect of compounding, their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of their underlying index or benchmark during the same period of time. These investment vehicles may be extremely volatile and can potentially expose a portfolio to significant losses.
- **Extension Risk** – The risk that rising interest rates may extend the duration of a fixed income security, typically reducing the security's value.
- **Fixed Income Market Risk** – The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers, including governments and their agencies. Generally, fixed income securities will decrease in value if interest rates rise and vice versa. In a low interest rate environment, risks associated with rising rates are heightened. Declines in dealer market-making capacity as a result of structural or regulatory changes could decrease liquidity and/or increase volatility in the fixed income markets. In the case of foreign securities, price fluctuations will reflect international economic and political events, as well as changes in currency valuations relative to the U.S. dollar. In response to these events, a portfolio's value may fluctuate and its liquidity may be impacted.

- **Foreign Investment/Emerging Markets Risk** – The risk that non-U.S. securities may be subject to additional risks due to, among other things, political, social and economic developments abroad, currency movements and different legal, regulatory and tax environments. These additional risks may be heightened with respect to emerging market countries because political turmoil and rapid changes in economic conditions are more likely to occur in these countries.
- **Income Risk** – The possibility that a portfolio’s yield will decline due to falling interest rates. **Inflation Protected Securities Risk** – The value of inflation protected securities, including TIPS, will typically fluctuate in response to changes in “real” interest rates, generally decreasing when real interest rates rise and increasing when real interest rates fall. Real interest rates represent nominal (or stated) interest rates reduced by the expected impact of inflation. In addition, interest payments on inflation-indexed securities will generally vary up or down along with the rate of inflation.
- **Interest Rate Risk** – The risk that a rise in interest rates will cause a fall in the value of fixed income securities, including U.S. Government securities in which the portfolio invests. Although U.S. Government securities are considered to be among the safest investments, they are not guaranteed against price movements due to changing interest rates. A low interest rate environment may present greater interest rate risk, because there may be a greater likelihood of rates increasing and rates may increase more rapidly.
- **Investment Company Risk** – When a portfolio invests in an investment company, including mutual funds, closed-end funds and ETFs, in addition to directly bearing the expenses associated with its own operations, it will bear a pro rata portion of the investment company’s expenses. Further, while the risks of owning shares of an investment company generally reflect the risks of owning the underlying investments of the investment company, the portfolio may be subject to additional or different risks than if the portfolio had invested directly in the underlying investments. For example, the lack of liquidity in an ETF could result in its value being more volatile than the underlying portfolio securities. Closed-end investment companies issue a fixed number of shares that trade on a stock exchange or over-the-counter at a premium or a discount to their net asset value. As a result, a closed-end fund’s share price fluctuates based on what another investor is willing to pay rather than on the market value of the securities in the fund.
- **Investment Style Risk** – The risk that the portfolio’s strategy may underperform other segments of the markets or the markets as a whole.
- **Large Capitalization Risk** – The risk that larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in technology and consumer tastes. Larger companies also may not be able to attain the high growth rates of successful smaller companies.
- **Leverage Risk** – A portfolio’s use of derivatives may result in the portfolio’s total investment exposure substantially exceeding the value of its securities and the portfolio’s investment returns depending substantially on the performance of securities that the portfolio may not directly own. The use of leverage can amplify the effects of market volatility on the portfolio’s value and may also cause the portfolio to liquidate portfolio positions when it would not be advantageous to do so in order to satisfy its obligations. The portfolio’s use of leverage may result in a heightened risk of investment loss.

- **Liquidity Risk** – The risk that certain securities may be difficult or impossible to sell at the time and the price that the portfolio would like. The portfolio may have to lower the price of the security, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on portfolio management or performance.
- **Market Risk** – The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector or the equity or bond market as a whole.
- **Money Market Funds** – With respect to an investment in money market funds, an investment in the money market fund is not a bank deposit nor is it insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund may seek to maintain a constant price per share of \$1.00, you may lose money by investing in the money market fund. The Fund may experience periods of heavy redemptions that could cause the Fund to liquidate its assets at inopportune times or at a loss or depressed value, particularly during periods of declining or illiquid markets. This could have a significant adverse effect on the Fund's ability to maintain a stable \$1.00 share price, and, in extreme circumstances, could cause the Fund to suspend redemptions and liquidate completely.
- **Mortgage-Backed Securities Risk** – Mortgage-backed securities are affected significantly by the rate of prepayments and modifications of the mortgage loans backing those securities, as well as by other factors such as borrower defaults, delinquencies, realized or liquidation losses and other shortfalls. Mortgage-backed securities are particularly sensitive to prepayment risk, which is described below, given that the term to maturity for mortgage loans is generally substantially longer than the expected lives of those securities; however, the timing and number of prepayments cannot be accurately predicted. The timing of changes in the rate of prepayments of the mortgage loans may significantly affect the portfolio's actual yield to maturity on any mortgage-backed securities, even if the average rate of principal payments is consistent with the portfolio's expectation. Along with prepayment risk, mortgage-backed securities are significantly affected by interest rate risk, which is described above. In a low interest rate environment, mortgage loan prepayments would generally be expected to increase due to factors such as refinancing and loan modifications at lower interest rates. In contrast, if prevailing interest rates rise, prepayments of mortgage loans would generally be expected to decline and therefore extend the weighted average lives of mortgage-backed securities held or acquired by the portfolio.
- **Municipal Securities Risk** – Municipal securities, like other fixed income securities, rise and fall in value in response to economic and market factors, primarily changes in interest rates, and actual or perceived credit quality. Rising interest rates will generally cause municipal securities to decline in value. Longer-term securities generally respond more sharply to interest rate changes than do shorter-term securities. A municipal security will also lose value if, due to rating downgrades or other factors, there are concerns about the issuer's current or future ability to make principal or interest payments. State and local governments rely on taxes and, to some extent, revenues from private projects financed by municipal securities, to pay interest and principal on municipal debt. Poor statewide or local economic results or changing political sentiments may reduce tax revenues and increase the expenses of municipal issuers, making it more difficult for them to repay principal and to make interest payments on securities owned by a portfolio meet their obligations. Actual or perceived erosion of the creditworthiness of municipal issuers may reduce the value of a portfolio's holdings. As a result, the portfolio will be more susceptible to factors which adversely affect issuers of municipal obligations than a portfolio which does not have as great a concentration in municipal obligations. Municipal obligations may be underwritten or guaranteed by a

relatively small number of financial services firms, so changes in the municipal securities market that affect those firms may decrease the availability of municipal instruments in the market, thereby making it difficult to identify and obtain appropriate investments for the portfolio. Also, there may be economic or political changes that impact the ability of issuers of municipal securities to repay principal and to make interest payments on securities owned by the portfolio. Any changes in the financial condition of municipal issuers also may adversely affect the value of the portfolio's securities.

- **Non-Diversified Risk** – To the extent that a portfolio is non-diversified, which means that it may invest in the securities of relatively few issuers. As a result, the portfolio may be more susceptible to a single adverse economic or political occurrence affecting one or more of these issuers, and may experience increased volatility due to its investments in those securities.
- **Opportunity Risk** – The risk of missing out on an investment opportunity because the assets necessary to take advantage of it are tied up in other investments.
- **Overlay Risk** – To the extent that a Client's portfolio is implemented through an Overlay Manager, it is subject to the risk that its performance may deviate from the performance of a sub-advisor's model or the performance of other proprietary or Client accounts over which the sub-advisor retains trading authority ("Other Accounts"). The Overlay Manager's variation from the sub-advisor's model portfolio may contribute to performance deviations, including under performance. In addition, a sub-advisor may implement its model portfolio for its Other Accounts prior to submitting its model to the Overlay Manager. In these circumstances, trades placed by the Overlay Manager pursuant to a model portfolio may be subject to price movements that result in the Client's portfolio receiving prices that are different from the prices obtained by the sub-advisor for its Other Accounts, including less favorable prices. The risk of such price deviations may increase for large orders or where securities are thinly traded.
- **Portfolio Turnover Risk** – To the extent that a portfolio buys and sells securities frequently, such activity may result in increased brokerage or other higher transaction costs and additional capital gains tax liabilities, which may affect the portfolio's performance. These costs affect the portfolio's performance. To the extent that a portfolio invests in an underlying fund the portfolio will have no control over the turnover of the underlying fund
- **Prepayment Risk** – The risk that, in a declining interest rate environment, fixed income securities with stated interest rates may have the principal paid earlier than expected, requiring a portfolio to invest the proceeds at generally lower interest rates.
- **Quantitative Investing** – A quantitative investment style generally involves the use of computers to implement a systematic or rules-based approach to selecting investments based on specific measurable factors. Due to the significant role technology plays in such strategies, they carry the risk of unintended or unrecognized issues or flaws in the design, coding, implementation or maintenance of the computer programs or technology used in the development and implementation of the quantitative strategy. These issues or flaws, which can be difficult to identify, may result in the implementation of a portfolio that is 15 different from that which was intended, and could negatively impact investment returns. Such risks should be viewed as an inherent element of investing in an investment strategy that relies heavily upon quantitative models and computerization.

- **Real Estate Industry Risk** – Securities of companies principally engaged in the real estate industry may be subject to the risks associated with direct ownership of real estate. Risks commonly associated with the direct ownership of real estate include fluctuations in the value of underlying properties, defaults by borrowers or tenants, changes in interest rates and risks related to general or local economic conditions. If a portfolio's investments are concentrated in issuers conducting business in the real estate industry, the portfolio may be subject to legislative or regulatory changes, adverse market conditions and/or increased competition affecting that industry.
- **Real Estate Investment Trusts (REITs)** – REITs are trusts that invest primarily in commercial real estate or real estate-related loans. Investments in REITs are subject to the risks associated with the direct ownership of real estate which is discussed above. Some REITs may have limited diversification and may be subject to risks inherent in financing a limited number of properties. **Sampling Risk** – With respect to investments in index funds or a portfolio designed to track the performance of an index, a fund or portfolio may not fully replicate a benchmark index and may hold securities not included in the index. As a result, a fund or portfolio may not track the return of its benchmark index as well as it would have if the fund or portfolio purchased all of the securities in its benchmark index.
- **Small and Medium Capitalization Risk** – Small and medium capitalization companies may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, small and medium capitalization companies may have limited product lines, markets and financial resources, and may depend upon a relatively small management group. Therefore, small capitalization and medium capitalization stocks may be more volatile than those of larger companies. Small capitalization and medium capitalization stocks may be traded over the counter or listed on an exchange.
- **Social Investment Criteria Risk** – If a portfolio is subject to certain social investment criteria it may avoid purchasing certain securities for social reasons when it is otherwise economically advantageous to purchase those securities, or may sell certain securities for social reasons when it is otherwise economically advantageous to hold those securities. In general, the application of portfolio's social investment criteria may affect the portfolio's exposure to certain industries, sectors and geographic areas, which may affect the financial performance of the portfolio, positively or negatively, depending on whether these industries or sectors are in or out of favor.
- **Taxation Risk** – LFCM does not represent in any manner that the tax consequences described as part of its tax management techniques and strategies will be achieved or that any of LFCM's tax-management techniques, or any of its products and/or services, will result in any particular tax consequence. The tax consequences of the tax-management techniques, including those intended to harvest tax losses, and other strategies that LFCM may pursue are complex and uncertain and may be challenged by the IRS. A portfolio that is managed to minimize tax consequences to Clients will likely still earn taxable income and gains from time to time. In order to pay tax-exempt interest, tax-exempt securities must meet certain legal requirements. Failure to meet such requirements may cause the interest received and distributed by the portfolio to shareholders to be taxable. Changes or proposed changes in federal tax laws may cause the prices of tax-exempt securities to fall. The federal income tax treatment on payments with respect to certain derivative contracts is unclear. Consequently, a portfolio may receive payments that are treated as ordinary income for federal income tax purposes.

- **Tracking Error Risk** – The risk that the performance of a portfolio designed to track an index may vary substantially from the performance of the benchmark index it tracks as a result of cash flows, portfolio expenses, imperfect correlation between the portfolio's and benchmark's investments and other factors.
- **Underlying Funds Risk** – With respect to portfolios that invest in underlying funds, additional investment risk exists because the value of such investments is based primarily on the performance of the underlying funds. Specifically, with respect to alternative investment funds, the entity's sponsors will make investment and management decisions. Therefore, an underlying fund's returns are dependent on the investment decisions made by its management and the portfolio will not participate in the management or control the investment decisions of the alternative investment fund. Further, the returns on a portfolio may be negatively impacted by liquidity restrictions imposed by the governing documents of an alternative investment fund such as "lockup" periods, gates, redemption fees and management's ability to suspend redemptions (in certain cases). Such lock-up periods, gates or suspensions may restrict the portfolio's ability to exit from an alternative investment fund in accordance with the intended business plan and prevent the portfolio from liquidating its position upon favorable terms. All of these factors may limit the portfolio's return under certain circumstances.
- **U.S. Government Securities Risk** – Although U.S. Government securities are considered to be among the safest investments, they are not guaranteed against price movements due to changing interest rates. Obligations issued by some U.S. Government agencies are backed by the U.S. Treasury, while others are backed solely by the ability of the agency to borrow from the U.S. Treasury or by the agency's own resources.

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Item 9 – Disciplinary Information

This item is not applicable to our brochure because there are no legal or disciplinary events listed in Item 9 of the Form ADV Part 2 instructions that are material to a client's or prospective client's evaluation of our business or integrity.

Item 10 – Other Financial Industry Activities and Affiliations

LFCM is not and does not currently have a related company that is a (1) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (2) futures commission merchant, commodity pool operator, or commodity trading advisor, (3) pension consultant, (4) real estate broker or dealer, (5) sponsor or syndicator of limited partnerships, or (6) law firm.

Affiliation/Dual Registration with Level Four Advisory Services, LLC

However, the firm is under common control with and does serve as sub-advisor to Level Four Advisory Services, LLC ("LFAS"), an SEC registered investment adviser that offers retail investment advisory services. LFCM and LFAS will share office space and some operational personnel.

LFCM's only business is providing asset management services as described in this brochure. The majority of individuals registered with LFCM are also dually registered and provide advisory services, either from an administrative perspective or in connection with portfolio management functions with LFAS.

Affiliation with Harbor Financial Services, LLC

The firm is under common control with and serves as sub-advisor to Harbor Financial Services, LLC, ("Harbor") a FINRA registered and SEC registered investment adviser. Harbor is registered as a municipal securities dealer. Harbor and LFCM will share office space and some operational personnel.

Affiliation/Dual Registration through Level Four Insurance Agency

Level Four Group, LLC is the sole owner of LFCM and Level Four Insurance Agency, a licensed insurance agency. Some of LFCM's registered persons sell insurance products through Level Four Insurance Agency and will receive usual and customary commissions for these transactions.

Dual Registration with LPL Financial

Additionally, one or more of LFCM's registered persons may also be dually registered with LPL and will receive usual and customary commissions in connection with the purchase or sale of securities products in their capacities as such.

Affiliation with Carr, Riggs & Ingram, L.L.C.

Our parent company, Level Four Group, is indirectly owned and controlled by Carr, Riggs, & Ingram, L.L.C. (CRI), an Alabama limited liability company and accounting firm. Although clients of LFCM in need of accounting services will typically be referred to the client's referring adviser's related accounting firm, clients may also be referred to CRI. Because CRI is the indirect owner of LFCM, we have a financial incentive to recommend CRI over other accounting firms. Moreover, CRI may refer their clients to LFCM. As indirect owner of LFCM, CRI has an economic incentive to recommend LFCM over other financial firms offering similar services to those offered by LFCM.

CRI is also the 100% indirect owner of a number of financial services-related entities, including without limitation, Auditwerx, LLC, another accounting firm, CRI Solutions Group, LLC, an executive consulting firm, CRI Advanced Analytics, an analytics firm, CRI TPA Services, a third party administrator firm, CRI Capital Advisors, LLC, a mergers and acquisitions advisory firm and registered broker/dealer, and Paywerx, a payroll management solution. LFCM does not have direct material arrangements with these firms; however, may share or refer clients with either firm.

Affiliation with Preferred Legacy Trust

The firm is under common control with and may serve as sub-advisor to Preferred Legacy Trust, a state-regulated non-depository trust company. These entities remain operationally independent of one another.

If you are referred to an affiliated company of LFCM or referred by an affiliated company of LFCM, please understand you are under no obligation to work with LFCM or one of our affiliated companies. You can work with any accounting firm, investment advisor or other financial professional of your choosing.

Conflict of Interest: In the event LFCM asset management services are engaged through an advisory relationship established through LFAS, an affiliate company or any other affiliate of LFCM as previously disclosed, presents a **conflict of interest**, as the receipt of fees in connection with the advisory relationship may provide an incentive to recommend investment products or services based on fees to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products through an affiliate relationship. Clients are reminded that they may purchase securities and insurance through other, non-affiliated broker-dealers and/or insurance agencies.

LFCM' Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

Securities Backed Lines of Credit

Some client accounts introduced for LFCM sub-advisory services by either LFAS and/or Harbor may include Securities Backed Lines of Credit (SBLOCs), which provide borrowers with a borrowing alternative to selling assets in order to access cash. LFCM typically does not recommend SBLOCs to clients, and LFCM does not receive any compensation directly related to a client opening an SBLOC.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

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. LFCM and its Advisory Representatives have a fiduciary duty to all clients. LFCM has established a Code of Ethics which all Advisory Representatives must adhere to. They must execute an annual acknowledgment agreeing that they understand and agree to comply with that Code of Ethics.

The fiduciary duty of LFCM and its Advisory Representatives to clients is considered the core underlying principle for LFCM' Code of Ethics and represents the expected basis for all dealings the Advisory Representatives have with clients. LFCM has the responsibility to make sure that the interests of clients are placed ahead of it or its Advisory Representatives' own investment interests. All Advisory Representatives will conduct business in an honest, ethical and fair manner. All Advisory Representatives will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All Advisory Representatives have a responsibility to avoid circumstances that might negatively affect or appear to affect the Advisory

Representatives' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of LFCM' Code of Ethics. If current clients or potential clients wish to review LFCM' Code of Ethics in its entirety, a copy may be requested from any of LFCM' Advisory Representatives and a copy will be promptly provided.

Affiliate and Employee Personal Securities Transactions Disclosure

LFCM, our Advisory Representatives and/or our personnel may buy or sell securities in their personal accounts that we may also recommend to clients. Because this policy may create a conflict between the interests of clients and the personal investing opportunities of our personnel, we have established several procedures to control for the apparent conflict of interest.

- LFCM is and shall continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. Personnel shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, from information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry.
- It is our policy that no Advisory Representative shall prefer his or her own interest to that of the advisory client.
- Our personnel may not purchase or sell any security traded over an exchange (such as a stock position) prior to transactions in the same securities are implemented for an advisory client account.
- Most investments owned by our personnel are publicly traded and widely available (such as mutual funds).

Reporting Requirements

Every supervised person who has access to client accounts must submit a report of all personal securities holdings at the time of association with LFCM as well as on a quarterly and n annual basis thereafter. Such reports must contain information relating to the title and type of security, the security symbol or CUSIP number, the number of shares and principal amount of each reportable security, the name of the broker dealer or bank with which the supervised person maintains and account and the date the report was submitted. LFCM may meet its requirements in this regard by contracting with a service provider to establish direct brokerage feeds from such institutions and/or a review of brokerage statements or confirmations.

Item 12 – Brokerage Practices

LFCM is independently owned and operated and not affiliated with any of the qualified custodians we may establish accounts with through our managed programs, including without limitation, LPL Financial, TD Ameritrade, Fidelity, Raymond James and/or other qualified custodians for all accounts LFCM's recommendation of these qualified custodians is based primarily on minimizing client fees and expenses, but also on past experiences, as well as offerings or services each provides that LFCM or clients may require or find valuable. We recommend broker/dealers and custodians that we feel provide services in a manner and at a cost that will allow us to meet our duty of best execution.

Not all investment advisors require the use of a particular broker/dealer or custodian. By requiring clients to use a particular broker/dealer, LFCM may not achieve the most favorable execution of client transactions and the practice of requiring the use of specific broker/dealers may cost clients more money than if the client use a different broker/dealer or

custodian. However, for compliance and operational efficiencies, LFCM requires the use of certain broker/dealers and other qualified custodians as determined by LFCM.

It should be noted that Program accounts may or may not be charged a separate fee for transactions executed by the qualified custodian. It is the discretion of the referring advisor after consultation with the client to determine if the client's Program account will be charged for all transactions or if the transaction fees will be included in the overall management fee charged by LFCM. When clients are charged on a per transaction basis, the transaction fee will appear on the client's individual account statement from the qualified custodian.

While there will not be a direct linkage between the investment advice provided by LFCM and the different qualified custodians, economic benefits may be received that would not be received if LFCM did not use these services to implement the investment advice provided. These benefits may include, but not necessarily be limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; receipt of compliance publications; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors.

In the event LFCM is selected to perform asset management services through its affiliate relationship with Harbor, Harbor referring advisors will require that clients establish an account with Harbor custodied through Raymond James.

In the event LFCM is selected to perform asset management services through its affiliate relationship with LFAS, LFAS referring advisors will generally recommend that clients establish a brokerage account with LPL Financial to maintain custody of clients' assets and to effect trades for their accounts. For LFCM's accounts custodied at LPL Financial, LPL Financial generally is compensated by clients through commissions, trails, or other transaction-based fees for trades that are executed through LPL Financial or that settle into LPL Financial accounts. For IRA accounts, LPL Financial generally charges account maintenance fees. In addition, LPL Financial also charges clients miscellaneous fees and charges, such as account transfer fees.

Clients should also be aware that for accounts where LPL Financial serves as the custodian, LFCM is limited to offering services and investment vehicles that are approved by LPL Financial, and may be prohibited from offering services and investment vehicles that may be available through other broker-dealers and custodians, some of which may be more suitable for a client's portfolio than the services and investment vehicles offered through LPL Financial.

As a result of the relationship with LPL Financial, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about LFCM's clients, even if client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact LFCM's Chief Compliance Officer.

Benefits Received by LFCM Personnel

LPL Financial makes available to LFCM various products and services designed to assist LFCM in managing and administering client accounts. Many of these products and services may be used to service all or a substantial number of LFCM's accounts, including accounts not held with LPL Financial. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and aggregation and allocation of trade orders for multiple client accounts); provide research, pricing information and other

market data; facilitate payment of LFCM's fees from its clients' accounts; and assist with back-office functions; recordkeeping and client reporting.

LPL Financial also makes available to LFCM other services intended to help LFCM manage and further develop its business. Some of these services assist LFCM to better monitor and service program accounts maintained at LPL Financial, however, many of these services benefit only LFCM, for example, services that assist LFCM in growing its business. These support services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by LFCM in furtherance of the operation and development of its investment advisory business.

Where such services are provided by a third-party vendor, LPL Financial will either make a payment to LFCM to cover the cost of such services, reimburse LFCM for the cost associated with the services, or pay the third-party vendor directly on behalf of LFCM.

The products and services described above are provided to LFCM as part of its overall relationship with LPL Financial. While as a fiduciary LFCM endeavors to act in its clients' best interests, the receipt of these benefits creates a conflict of interest because LFCM's recommendation that clients custody their assets at LPL Financial is based in part on the benefit to LFCM of the availability of the foregoing products and services and not solely on the nature, cost or quality of custody or brokerage services provided by LPL Financial. LFCM's receipt of some of these benefits may be based on the amount of advisory assets custodied on the LPL Financial platform.

Trade Away Services

Through its relationships with TD Ameritrade, Fidelity, and Raymond James, LFCM may also use the respective broker/dealers' Trade Away Service which allows LFCM to place trades with other broker/dealers. Trade Away Services allow LFCM to elect to execute trades through other broker/dealers in order to obtain a better price for the client and then have the securities delivered into/from the client's TD Ameritrade, Fidelity, or Harbor (custodied through Raymond James) brokerage account.

The use of the Trade Away Service provides LFCM greater flexibility to access more fixed income products, ability to implement trades with companies that may make a market in a security, the ability to access Initial Public Offerings (IPO's), the ability to access new issue bonds, and the ability to find a wider range or pricing on equity positions. The Trade Away Service is beneficial because it allows LFCM to place trades through several executing broker/dealers, yet receive centralized custody, clearing and settlement, recordkeeping and other services from one source, TD Ameritrade and Fidelity. LFCM's decision to use an executing broker/dealer will depend on the executing broker's respective expertise and costs. All assets will be kept in the client's TD Ameritrade and Fidelity account, with all confirmations and statements generated by TD Ameritrade and Fidelity.

The use of Trade Away Services is the only case in which LFCM selects a broker-dealer to be used without specific client consent. TD Ameritrade and Fidelity charge the client a service fee per order entered at an executing broker/dealer by LFCM. The Trade Away Service Fee will be charged to the client's account.

Broker-Dealer Selection Process

LFCM recommends broker/dealers and custodians that it feels provide services in a manner and at a cost that will allow us to meet our duty of best execution.

Clients often grant LFCM the authority to select the broker-dealer to be used for the purchase and sale of securities.

When evaluating best execution, we will consider the following factors in broker selection:

- Financial stability
- Reputation
- Quality of research available
- Type and size of both securities traded and markets traded on
- Liquidity
- History of execution speed and price improvement
- Competitiveness of commission rates compared to other brokers

Research and Other Soft Dollar Benefits

LFCM's primary objective in broker-dealer selection is to comply with its duty to obtain the best execution for clients. Best execution does not necessarily mean the lowest commission, but instead involves consideration of many factors, listed above.

A statutory "safe harbor" allows broker-dealers to be paid with commission dollars, also referred to as soft dollars, in exchange for statistical research and information. Soft dollar transactions generally cause clients to pay a commission rate higher than would be charged for execution of the trade only.

At times, LFCM may select a broker-dealer that charges a commission in excess of that which another broker-dealer may have charged for executing the same transaction. LFCM is not obligated to simply choose the broker-dealer with the lowest commission rate if, within reasonable judgment, we believe the total cost or proceeds may be less favorable for the client than what may be obtained by a broker-dealer offering soft dollar services.

Research related products and services provided by the broker-dealer may include both proprietary and third-party research covering analysis and pricing, trading markets, legislative developments, economic and financial trends, and research or analytical computer software utilized in the investment management process.

LFCM is able to obtain such products and services through the use of Soft Dollars which reduces the need for LFCM to produce the same research through hard dollars. Thus, the use of soft dollars can provide economic benefits to LFCM and its clients.

Research products and services may be useful in servicing some or all of the Advisor and its affiliates' client accounts but may not be used by the Advisor in servicing the actual client accounts whose commission dollars generated and provided such research. Due to custodian restrictions, not all clients will be part of the soft dollar arrangement or pay for these services.

LFCM periodically reviews performance of broker-dealers and the items previously discussed to other broker-dealers to ensure that we are providing clients with the best execution available for those services.

Aggregation of Client Orders-Block Trading Policy

In some instances, trades for more than one client's account may be aggregated ("block trades") to provide for lower transaction per share costs and executed as a single trade in order to provide fair and equitable prices among managed client accounts. All clients will receive equal treatment when LFCM performs block trades for managed accounts. When mutual funds are traded, there is no value to aggregation as each trade receives the same price. Other securities purchased or sold using block trades will then be allocated in a fair and equitable manner to all client accounts involved in the block trade. If for any reason the entire block trade cannot be completed on the day the trade is placed, client accounts will receive an equal pro-rata portion of the securities traded. LFCM will keep records of all block trades executed and the allocations for each client account that participates in the block trade. LFCM will not receive additional compensation as a result of block trading.

Trade Errors

Based on industry practice and SEC guidance to broker-dealers, a trade error under this policy is defined as including:

Inaccurate transmission or execution of any term of an order including, but not limited to: price; number of shares or other unit of trading; identification of the security; identification of the account for which securities are purchased or sold; short sales that were instead sold long or vice versa; or the execution of an order on the wrong side of a market;

Unauthorized (because of misunderstanding or mistake) or unintended purchase, sale or allocation of securities, or the failure to follow specific client instructions; and

Incorrect entry of data into relevant systems, including reliance on incorrect cash positions, withdrawals or securities positions reflected in an account.

LFCM has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of LFCM to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by LFCM if the error was caused by the Firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. LFCM will never benefit or profit from trade errors.

Item 13 – Review of Accounts

The underlying securities within each Model Portfolio are continuously monitored by the LFCM investment Committee and/or the Portfolio Manager assigned each Model Portfolio. Sub-advisory clients should contact their referring adviser for information on account reviews conducted by such referring adviser.

Statements and Reports

Clients receive account statements directly from the client's qualified custodian. Statements will be delivered at least quarterly.

Finally, at their discretion LFCM may provide written performance and/or position reports to clients in addition to the statements and reports discussed above. Clients are strongly urged to compare all reports prepared by LFCM against the account statements received from the client's broker/dealer or qualified custodian.

Item 14 – Client Referrals and Other Compensation

Your referring adviser can receive compensation on non-advisory business (i.e. brokerage commissions) related to the sale of securities or other investment products such as insurance. Transaction-based compensation that such referring advisers may receive in their dual capacity as a registered representative of LPL is separate and distinct from the other fees, LFCM will receive in connection with investment advisory/investment management services.

The receipt of any such compensation creates a financial incentive for your referring adviser to recommend LPL Financial as custodian for the assets in your advisory account. It is our objective and responsibility as a fiduciary to always place the clients' best interest first. We encourage you to discuss any such conflicts of interest with your referring adviser before making a decision to custody your assets at LPL Financial.

Item 15 – Custody

Custody, as it applies to investment advisers, has been defined by regulators 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 has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

LFCM is deemed to have custody of client funds and securities whenever LFCM is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody LFCM will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

LFCM has established procedures to ensure 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 an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, 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 directly from LFCM.** When clients have questions about their account statements, they should contact LFCM or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

LFCM's Client Agreements and Sub-Advisory Agreements provide that LFCM's asset management services are provided on a **discretionary** basis. LFCM's discretionary authority must be granted by the client in the client agreement. When

discretionary authority is granted, it is limited in that LFCM will only be given discretionary trading authority. This authority will allow LFCM to determine the type of securities and the amount of securities that can be bought or sold for the client portfolio without obtaining the client's consent for each transaction.

Clients have the right to place reasonable restrictions on their accounts so long as the limitations are specifically directed to LFCM; however, LFCM retains the right to decline to enter into an Agreement with any clients whose investments may be contrary to the firm's investment strategies.

Please refer to Item 12 for more information regarding Trade Away Services.

Item 17 – Voting Client Securities

LFCM will not vote proxies on behalf of your account. While there are some investment advisers that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by our Firm.

Clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by our Firm. In some instances, and at your specific request, your referring adviser may give recommendations or clarifications based on your referring adviser's understanding of the issues presented in the proxy materials. Your referring adviser may also conduct additional research on proxy issues if necessary; however, you will be solely responsible for all proxy voting decisions.

Item 18 – Financial Information

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

CUSTOMER PRIVACY POLICY

Our Commitment to Privacy

LFAS is committed to safeguarding the confidential information of its clients. LFAS holds all personal information provided to it in the strictest confidence. Federal law gives customers the right to limit some but not all sharing of their confidential information. Federal law also requires LFAS to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.

AN IMPORTANT NOTICE CONCERNING CUSTOMER PRIVACY

How and why we collect customer information

LFCM collects and develops personal information about clients and some of that information is non-public personal information (Customer Information). The essential purpose for collecting Customer Information is to provide and service the appropriate financial products and services clients obtain from the Firm. LFCM's Advisory Representatives may also be registered representatives of LPL Financial, a registered broker-dealer that is not affiliated with LFCM. LFCM may share client information with one or more of our affiliated companies (*companies related by common ownership or control*). The affiliated companies of LFCM include Level Four Group LLC, Level Four Advisory Services, LLC, and Level Four Insurance Services. LFCM may also have relationships with other non-affiliated (*companies not related by common ownership or control*) investment advisers, including LPL Financial, insurance companies, trust companies, custodians and other financial institution entities.

The categories of Customer Information collected by LFCM depend upon the scope of the engagement with LFAS and are generally described below. As an investment adviser, LFCM collects and develops Customer Information about clients in order to provide investment advisory services. Customer Information collected includes:

Information received from clients on financial inventories and questionnaires through consultation with referring Advisory Representatives. This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account, and other records concerning clients' financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.

Information developed as part of financial plans, analyses or investment advisory services.

Information concerning investment advisory account transactions, such as wrap account transactions.

Information about clients' financial products and services transactions with referring adviser.

How do we protect customer information

LFCM and its affiliated companies restrict access to Customer Information to those Advisory Representatives and employees who need the information to perform their job responsibilities within the Firm. LFCM maintains agreements, as well as physical, electronic and procedural securities measures that comply with federal regulations to safeguard Customer Information about clients.

How we share information with third parties

To administer, manage and service customer accounts, process transactions and provide related services for client accounts, it is necessary for LFCM to provide access to Customer Information within the Firm and its affiliated companies and to non-affiliated companies such as LPL Financial, other investment advisers, other broker-dealers, trust companies, custodians and insurance companies. LFCM may also provide Customer Information outside of the Firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

LFCM does not share Customer Information with affiliates or non-affiliated third parties for marketing purposes.

Other important Information

If clients close an account with the Firm, LFCM will continue to operate in accordance with the principles stated in this Notice.

LFCM understands that the relationship clients have with their Advisory Representative is important. If a client's Advisory Representative ends his or her affiliation with LFAS and he or she chooses to move to a different investment adviser, or if an Advisory Representative's relationship with LFAS is terminated, the LFAS Advisory Representative may be allowed to take with him or her copies of all client and account documentation (including but not limited to: account applications; customer statements; and other pertinent forms related to the advisory services provided to the client by LFAS), so the Advisory Representative is able to continue the relationship with his or her client and continue providing advisory services through his or her new advisory firm. LFAS will also retain copies of its client and account documentation. Clients do not need to take action if it is their choice to allow their LFAS Advisory Representative to keep copies of their confidential information should he or she leave LFAS.

How do I limit sharing

Federal law gives you the right to limit only sharing for affiliates' everyday business purposes (i.e. information about creditworthiness); affiliates from using your information to market to you.; and sharing for nonaffiliates to market to you.

If you choose to opt out now; at any time in the future; or wish to withdraw your opt out request, contact us at 866-834-1040. If it is your choice to opt out there will be a 30-day period before your opt out will take effect.

If you do not want your Advisory Representative to keep copies of your confidential information should he or she decide to end the relationship with LFAS in the future, you have the right to opt out.

If LFAS provides services to a joint account, LFAS will treat the opt-out request by a joint account owner as applying to all owners on the account(s) managed or serviced by LFAS.

If you have questions about your personal information we have on file, your request should be directed to:

Level Four Capital Management
Attn: Compliance Department
12400 Coit Rd, Suite 700
Dallas, TX 75251

Please include all investment advisory account numbers you maintain with LFCM with your correspondence.

BUSINESS CONTINUITY PLAN DISCLOSURE

LFCM has developed a comprehensive business continuity plan that covers LFCM's operations. The plan is designed to ensure that LFCM is prepared to continue providing service to clients in the event a significant disruption of any kind occurs to LFCM's business operations. The plan addresses business disruptions of varying severity and scope. It provides for testing at least annually and in response to any material changes affecting LFCM's business. Although it is impossible to anticipate every scenario, the plan is reasonably designed to enable LFCM to resume doing business upon the occurrence of those events that are most likely to affect LFCM.

What follows is a description of how LFCM will respond to the following four types of disruptions: (1) A firm-only disruption, (2) a disruption that affects a single building, (3) a disruption that affects the entire city or business district, and (4) a disruption that affects the entire North Texas region. LFCM has also included information about how long it expects to take to recover from these disruptions.

Firm-Only Disruptions

To respond to a disruption that affects only LFCM, such as a computer virus, LFCM has on-site persons to successfully guide LFCM through disruptions that may affect operations, the use of crisis communications systems and procedures that address life, health, and safety issues; damage assessment; damage mitigation; personnel mobilization and mission-critical systems. If this type of disruption takes place, LFCM intends to restore all critical services within one day after the disruption occurs. However, in light of the various types of disruptions of this nature that could take place, it may take longer to resume operations in one or more services during any particular disruption.

Disruptions that Affect a Single Building

In the event of a disruption that affects LFCM's office, such as a fire in the building, the plan calls for a response involving multiple locations. LFCM will resume critical services by moving key personnel to an alternate location, to the extent necessary. In addition to relocating key personnel to back-up facilities, LFCM will, if necessary, transfer responsibility for certain operations and support services to an offsite location. LFCM intends to resume operations in all critical service areas within one day after a disruption of this nature occurs. It may, however, take as long as two or three days to continue doing business in one or more critical service areas depending on the availability of data.

Disruptions that Affect the Entire City or Business District

If a disruption significant enough to affect the entire city or business district, such as an Act of God or a terrorist attack that cuts off access to LFCM's office, under the plan, LFCM will resume critical services at a back-up location. As above, certain key employees will work remotely and certain operations and support services would be handled at alternate locations. LFCM intends to resume operations in all of its critical service areas within one day after a disruption of this nature occurs. It may, however, take up to three or four days to recover depending on the availability of data and on the availability of key employees.

Disruptions that Affect the Entire North Texas Region

In the event of a disruption that affects the entire North Texas Region, such as a regional power outage, LFCM will resume critical service areas from back-up locations. Although LFCM intends to resume operations within one day after the disruption occurs, one or more critical service areas may not be able to resume operations until the disruption is over.

In all of the situations described above, LFCM expects to continue doing business and expects to resume operations within the specified time frames. However, in the event that a business disruption results in a significant loss of life at LFCM's office or otherwise results in key employees being unavailable or unable to report to their designated location, the recovery times described above may be significantly increased. Furthermore, although LFCM expects to continue operating regardless of the type of disruption, it is impossible to anticipate every scenario. It is, therefore, possible that a significant business disruption could occur and as a result, LFCM may be unable to continue doing business. In those situations, the plan provides procedures to help ensure that the customers have prompt access to their funds and securities.

LFCM will continue to devote substantial resources to the enhancement of its business continuity plan and procedures.