

Item 1 – Cover Page

LBMC Investment Advisors, LLC

Registered Investment Advisor

201 Franklin Road

Brentwood, Tennessee 37027

(615) 377-4603

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

February 12, 2021

This Brochure provides information about the qualifications and business practices of **LBMC INVESTMENT ADVISORS, LLC [LBM CIA]**. If you have any questions about the contents of this Brochure, please contact us at (615) 377-4603 and/or [LBMCIInvestmentAdvisors@lbmc.com](mailto:LBMCIInvestmentAdvisors@lbmc.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

**LBMC INVESTMENT ADVISORS, LLC** is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about **LBMC INVESTMENT ADVISORS, LLC** also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

This Brochure is dated February 12, 2021

This Item will discuss specific material changes that are made to the Brochure and provide clients with a summary of such changes. Since the date of our last annual update of our brochure, February 20, 2020, there have been no material changes to report.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year which is December 31. We will further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information without charge.

Currently, our Brochure may be requested by contacting [Andrew Jordan, Chief Compliance Officer](#) at (615) 377-4603 or [LBMCIInvestmentAdvisors@lbmc.com](mailto:LBMCIInvestmentAdvisors@lbmc.com). Our Brochure is also available on our web site [www.lbmcinvestmentadvisors.com](http://www.lbmcinvestmentadvisors.com), also free of charge.

Additional information about [LBMC INVESTMENT ADVISORS, LLC](#) is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site provides information about any persons affiliated with [LBMCI](#) who are registered as investment adviser representatives of [LBMCI](#).

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	4
Item 7 – Types of Clients .....	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9 – Disciplinary Information .....	6
Item 10 – Other Financial Industry Activities and Affiliations.....	7
Item 11 – Code of Ethics.....	7
Item 12 – Brokerage Practices .....	8
Item 13 – Review of Accounts .....	11
Item 14 – Client Referrals and Other Compensation.....	12
Item 15 – Custody .....	15
Item 16 – Investment Discretion .....	15
Item 17 – Voting Client Securities.....	16
Item 18 – Financial Information .....	16
Brochure Supplement(s)	

#### **Item 4 – Advisory Business**

LBMCI Investment Advisors, LLC (LBMCI) was established in 1998 by the principals of the regional accounting firm LBMCI, PC to provide investment advisory services. The principal owner of LBMCI is LBMCI Financial Services, LLC.

##### Portfolio Management

LBMCI provides continuous investment supervisory services based on the individual needs of the client. Through personal discussions with the client about their goals and objectives, LBMCI develops an investment strategy based on the client's particular circumstances and manages the client's portfolio based on that strategy.

Typically, LBMCI allocates the client's assets among a portfolio of index funds, mutual funds, bonds, or other appropriate investments.

Investments are selected primarily on a basis of their performance history and investment discipline. Adjustments are made when necessary as determined by LBMCI based on current market conditions, client instructions, and/or changes in the client's investment objectives.

LBMCI manages accounts on a discretionary basis, which means that clients grant LBMCI the authority to determine which securities and the amount of those securities to be bought or sold. This authority is specifically granted to LBMCI by the client in the Advisory Agreement. Any limitations on this discretionary authority, including limitations on the types of investments which may be purchased on the client's behalf, must be stated in the Advisory Agreement or must be accepted by LBMCI in writing. Clients may also change or amend these limitations by giving written notice to LBMCI. Changes become effective after they are accepted by LBMCI.

##### Separately Managed Accounts in Wrap Fee Programs

LBMCI monitors accounts managed by another advisor, Capital Directions Investment Advisors, LLC for certain legacy accounts. Clients are referred to the disclosure brochure for Capital Directions Investment Advisors, LLC where their investment program and fees are discussed.

LBMCI Investment Advisors, LLC receives a portion of the fees paid to the Capital Directions Investment Advisors, LLC in this managed account program.

## **Retirement Rollovers-Potential for Conflict of Interest**

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If LBMC recommends that a client roll over their retirement plan assets into an account to be managed by LBMC, such a recommendation creates a conflict of interest if LBMC will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, LBMC serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. **No client is under any obligation to roll over retirement plan assets to an account managed by LBMC. LBMC's Chief Compliance Officer, R. Andrew Jordan, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

*For California residents only-All material conflicts of interest under CCR Section 260.238(k) are disclosed regarding our firm, our representatives and any employees, which could be reasonably expected to impair the rendering of unbiased and objective advice."*

## **Assets Under Management**

As of December 31, 2020 LBMCIA managed client assets of approximately \$1,480,711,000 on a discretionary basis and \$35,907,000 of assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Portfolio Management**

Annual fees charged for portfolio management services generally range from 0.4% to 1.00% of assets under management. Fees are negotiable under certain circumstances, including, but not limited to, accounts opened for employees (including affiliated company employees) or family members. If a client opens multiple accounts, the advisory fees are calculated based on the aggregated total of assets in the various accounts under management. Fees are calculated based on the market value, typically obtained from qualified custodians or other creditable sources, of the assets held in the client's account at the end of each calendar quarter. Management fees are prorated for each significant (\$25,000 or more individually or aggregated) capital contribution and/or withdrawal made during the applicable calendar quarter. LBMCIA's standard fee schedule for portfolio management services is as follows:

For assets under management:

Account Market Value	Annualized Rate	Quarterly rate
On the first \$2 Million(\$0-2MM)	1.00%	0.25%
On the next \$2 Million(\$2-4MM)	0.75%	0.1875%



On the next \$2 Million(\$4-6MM)	0.65%	0.1625%
On the next \$4 Million(\$6-10MM)	0.60%	0.15%
On all amounts thereafter (over \$10MM)	0.50%	0.125%

There is a minimum quarterly fee of \$500. LBMCI has the option to waive any portion of the minimum quarterly fee.

Clients typically grant LBMCI the authority to deduct fees directly from the client's account. Fees are due quarterly in arrears based on the value of the account on the last day of the quarter with adjustments for significant contributions or withdrawals (\$25,000 or more) and for accounts with margin balances during the fee period. LBMCI deducts fees from the client's account approximately one week after the invoice date. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Fees for terminated accounts are calculated in a similar way to quarterly billing but are prorated to the date of termination.

#### Separately Managed Accounts in Wrap Fee Programs

Separately managed accounts in wrap programs monitored by LBMCI will be subject to the fees imposed by the applicable investment adviser that manages the account. Clients are directed to the advisor's Form ADV Part 2 or disclosure brochure for a discussion of the applicable fees. LBMCI receives a portion of the advisory fees paid to the Capital Directions Investment Advisors, LLC.

#### General Information on Fees

All fees paid to LBMCI for investment advisory services are separate and distinct from, and in addition to, fees and expenses charged by mutual funds, independent advisers of separate accounts, or other investment products that are used in client accounts. These fees and expenses are described in each fund's prospectus or other disclosure documents. LBMCI's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients will incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, trade away fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees which are disclosed in the fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to LBMCI's fee, and LBMCI shall not receive any portion of these commissions, fees, and costs. LBMCI and its supervised persons do not receive compensation for the sale of securities or other products.

A client could invest directly in the types of securities listed in the Portfolio Management section above without the services of LBMCI. In that case, the client would not receive the services provided by LBMCI which are designed, among other things, to assist the client in determining which investment securities are appropriate for each client's financial condition and objectives. Accordingly, the client should review the fees charged by the funds, other service providers and LBMCI. The client should fully understand the total amount of fees to be paid and evaluate the advisory services being provided.

For California residents only-*Subsection (j) of Rule 260.238, California Code of Regulations requires that all investments advisers disclose to their advisory clients that similar services may be available from other registered investment advisers for lower fees.*

Clients are expected to enter into a written Advisory Agreement with LBMCI A prior to the provision of services by the firm. LBMCI A does not represent, warrant or imply that the services or methods of analysis used can or will predict future results, successfully identify market trends, identify high performing independent money managers, or insulate clients from losses due to market declines. The agreement may be cancelled at any time, for any reason, by the client upon written notice or by LBMCI A upon 60 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. LBMCI A's fees are not charged on the basis of a share of capital appreciation of the funds or any portion thereof.

LBMCI A may recommend alternative investment vehicles, such as hedge funds, to qualifying clients based upon the client's risk tolerance, net worth, financial objectives, investment expertise, and how the investment fits within the client's asset allocation strategy. With respect to such investments, LBMCI A will monitor the investment's performance and provide periodic reports to the client.

LBMCI Investment Advisors, LLC has contracted with Capital Directions Investment Advisors, LLC for services (for certain client accounts) including portfolio management, trade processing, collection of management fees, record maintenance, report preparation, marketing assistance, and research. For its services Capital Directions charges a fee based on a percentage of clients' assets under management. Their fee schedule is as follows:

Account Value	Annual fee
\$150,000 -- \$3,000,000	50 basis points
\$3,000,001 -- \$10,000,000	40 basis points
\$10,000,001 and up	30 basis points

Item 12 further describes the factors that **LBMC** considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

**LBMCI A** does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7 – Types of Clients

LBMCI<sup>A</sup> provides portfolio management services to individuals, high net worth individuals, corporate entities, and foundations.

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

### Methods of Analysis

LBMCI<sup>A</sup> might use Morningstar Advisor, investment risk questionnaires, asset allocation models, and Monte Carlo Simulations to conduct an “Investment Check-Up” as part of its process to identify an appropriate investment strategy for clients and to provide the following services:

**CURRENT PORTFOLIO ANALYSIS:** Assist the client in understanding how their current investment portfolio is allocated and how investments have performed. Additionally, it is used to determine areas that might be over- or under-weighted in the current allocation and to approximate the costs of the investments.

**OBJECTIVE SETTING:** Assist the client in defining appropriate investment objectives and desired investment returns based upon the client’s financial situation and tolerance for risk.

**ASSET ALLOCATION:** Assist the client in allocating their assets among different investment types -- to implement this approach, LBMCI<sup>A</sup> may use mutual funds, exchange traded funds (ETFs), money managers, individual securities such as bonds and stocks, hedge funds and / or other investment vehicles that are deemed appropriate -- in a manner most likely to achieve the client’s objective.

LBMCI Investment Advisors investment strategy is based on the science of investing built upon decades of academic research and institutional application. Our portfolios are designed to accomplish one single task – to capture the market’s return while minimizing risk through prudent diversification. Our philosophy is firmly grounded in Modern Portfolio Theory (MPT).

MPT guides us in the construction of our portfolios. One of the most important and influential economic theories ever postulated (it won the Nobel Prize in 1992), MPT provides the framework for creating optimal portfolios by closely considering the relationship between risk and reward. MPT proves that by mixing assets of varying correlation in a portfolio, the portfolio’s risk can actually be lower than the sum of its individual parts.

Market timing -- the attempt to determine the best time to buy or sell an investment -- and security selection add very little, if any, return to a portfolio. We do not follow the latest investment fads, chase performance or engage in emotion-based trading in our clients’ portfolios. All of these activities will reduce the probability of delivering the risk-adjusted returns that are there for investors who stay the course.



We direct our attention to factors that have a high probability of creating a successful investment strategy:

1. Diversification- using different Asset Classes (i.e. Equity and Fixed Income) and different classifications within them. Equity classes would include large capitalization companies, small capitalization companies, international companies, emerging markets, real estate, and others. Fixed income could be composed of long-term, short-term, taxable and tax-free classes.
- 2.) Minimizing fees and transaction costs when possible
- 3.) Focus on our clients' after-tax returns when possible.

Finally, we closely monitor the portfolio to ensure the structural integrity of the investments is never compromised.

By embracing proven academic theories and building an investment strategy focused on factors that can be controlled, we can create portfolios that have a much greater likelihood of success for our clients than the typical trading-intensive, performance chasing approach.

### **Risk of Loss**

**Investing in securities involves risk of loss that clients should be prepared to bear.**

All investments present the risk of loss of principal- which means that the investments could be worth less when sold than the price paid for the securities. There is also the risk of losing purchasing power which means the rate of appreciation of the investment was less than the rate of inflation.

The investments used by LBM CIA for clients include domestic large and small companies, international and emerging market equities, real estate investment trusts, government and corporate bonds, bank certificates of deposit, commodities, hedge funds, and any other investments we reasonably believe will enable the client to reach their investment objectives.

Each of these investments has unique risk characteristics which must be considered before investing. These risks include loss of value, loss of purchasing power, and the ability to convert the investment quickly to cash.

More information about the risks of any specific investment should be discussed with your LBM CIA advisor before investing.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all facts regarding any legal or disciplinary events that would be material to your evaluation of LBM CIA or the integrity of LBM CIA's management. LBM CIA has no information to disclose applicable to this requirement.

## Item 10 – Other Financial Industry Activities and Affiliations

LBMCI is affiliated with LBMCI, PC (LBMCI) an accounting firm.

Individuals associated with LBMCI occasionally recommend LBMCI to clients of LBMCI in need of investment advisory services. LBMCI has an agreement with LBMCI to pay a solicitor's fee equal to 20% of the advisory fees collected by LBMCI from clients introduced by LBMCI associated persons.

LBMCI may also recommend LBMCI to advisory clients for accounting services. Accounting services provided by LBMCI are separate and distinct from LBMCI advisory services. LBMCI will charge for those services separately under an agreement with the client. LBMCI does not receive any compensation for referrals to LBMCI. Individuals who are employed by LBMCI are eligible to receive referral fees from LBMCI for recommending advisory clients to the accounting firm for services. The referral fees paid range between 5% to 10% of the LBMCI engagement fees.

Clients do not have to use LBMCI for any services.

## Item 11 – Code of Ethics

LBMCI has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes:

- provisions relating to the confidentiality of client information
- a prohibition on insider trading
- restrictions on the acceptance of significant gifts
- the reporting of certain gifts and business entertainment items
- personal securities trading procedures, among other things.

All supervised persons at LBMCI must acknowledge the terms of the Code of Ethics annually or when amended.

LBMCI's employees and persons associated with LBMCI are required to follow LBMCI's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of LBMCI and its affiliates are allowed to trade for their own accounts in securities which are recommended to and/or purchased for LBMCI's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of LBMCI will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best

interest of LBMCIA's clients. In addition, the Code requires pre-clearance of certain transactions and restricts trading in close time proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under the Code of Ethics to reasonably prevent conflicts of interest between LBMCIA and its clients.

If certain affiliated accounts trade in the same securities with client accounts on an aggregated basis when consistent with LBMCIA's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at the same total average price. LBMCIA will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

LBMCIA's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Andrew Jordan at [ajordan@lbmc.com](mailto:ajordan@lbmc.com) or (615) 377-4603.

It is LBMCIA's policy that the firm will not make any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction will also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account.

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. LBMCIA is not dually registered as a broker-dealer and does not have an affiliated broker-dealer.

## Item 12 – Brokerage Practices

### The Custodian and Brokers We Use

LBMCIA does not maintain custody of your assets that we manage, although we are deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use either Charles Schwab & Co., Inc. (Schwab),

or Fidelity Institutional Wealth Services (Fidelity) as the qualified custodian. Both are registered broker-dealers and members of SIPC. LBMCI is independently owned and operated and is not affiliated with Schwab or Fidelity. Schwab or Fidelity will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab or Fidelity as your custodian/broker, you will decide whether to do so and will open your account by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. If your account is maintained at Schwab or Fidelity, we can still use other brokers to execute trades for your account as described below (see *"Your Brokerage and Custody Costs"*). A client who directs LBMCI to use a broker other than Schwab or Fidelity should be aware that they may not receive any of the advantages that LBMCI derives from its arrangements with Schwab or Fidelity.

### How We Select Brokers/Custodians

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

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

### Your Brokerage and Custody Costs

For our clients' accounts that Schwab or Fidelity maintain, they generally do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that they execute or settle into your account. Certain trades (for example, many mutual funds and ETFs) may not incur commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. For some accounts, Schwab may charge you a percentage of the dollar amount of assets in the account in lieu of commissions (asset based fees). Schwab's commission rates and asset based fees applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates and asset based fees you pay are lower than they would be otherwise.

In addition to commissions and asset-based fees, Schwab and Fidelity charge you a flat dollar amount as a “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into either your Schwab or Fidelity account. This occurs most often when buying bonds for a client account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. We have determined that having Schwab or Fidelity execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *“How We Select Brokers/Custodians”*).

#### Products and Services Available to Us

Schwab and Fidelity are in business to serve independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services—trading, custody, reporting, and related services—many of which are not typically available to their retail customers. They also make available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. These support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us. Following is a more detailed description of available support services.

#### Services That Benefit You

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

#### Services That May Not Directly Benefit You

Schwab and Fidelity also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research from them and that of third parties. We may use this research to service all or a substantial number of our clients’ accounts. In addition to investment research, Schwab and Fidelity also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients’ accounts
- Assist with back-office functions, recordkeeping, and client reporting

### Services That Generally Benefit Only Us

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

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

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

When appropriate, LBMCI makes use of the benefits described in the previous three sections.

### Our Interest in Schwab and Fidelity Services

The availability of these services from Schwab and Fidelity benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our recommendation of Schwab or Fidelity as custodian and broker is in the best interests of our clients. Our recommendation is primarily supported by the scope, quality, and price of their services (see *"How We Select Brokers/Custodians"*) and not the services that benefit only us.

LBMCI will use trade aggregation when multiple orders for a security are made and implementation is consistent with our obligation for best execution.

LBMCI does not participate in any formal soft-dollar programs with any broker-dealers, but we do receive soft dollar benefits as a part of using those broker-dealers. These benefits have been described above.

### Item 13 – Review of Accounts

Investment accounts are reviewed at least annually by a committee composed of the President, other LBMCI Advisors and other associated persons of LBMCI that provide investment advisory, portfolio management or client services. Each clients' accounts are reviewed in aggregate for appropriate allocation to desired investment categories and compared to the investment strategy statement for adjustment. As part of this process, the Investment Strategy Statement is reviewed to determine its continued appropriateness. More frequent reviews could be triggered by material economic or market events, or by a change in the client's financial circumstances. The number of accounts (client relationships) reviewed by the committee during each monthly scheduled meeting is about one-twelfth of the total LBMCI client relationships.

LBMCI provides performance reports to portfolio management clients at least quarterly. These are in addition to the custodial/brokerage statements and transaction confirmations received by the clients directly from the account custodians.

### Item 14 – Client Referrals and Other Compensation

We receive an economic benefit from Schwab and Fidelity in the form of support products and services they make available to us and other independent investment advisors whose clients maintain their accounts with them. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability of Schwab's and Fidelity's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

LBMCI compensates outside solicitors and/or associated persons, including, LBMCI, PC, an accounting firm affiliated with LBMCI and David K. Morgan and R. Michael Cain, who are officers of LBMCI, for referring advisory clients to LBMCI. Each client referred to LBMCI by a third party (other than LBMCI, Mr. Morgan or, Mr. Cain) will receive a written solicitor's disclosure statement that details the terms of the compensation sharing arrangement. Clients obtained through solicitors or associated persons do not pay higher fees either initially or, on an annual basis, than those charged to clients obtained directly by LBMCI.

#### **Fidelity Investments Wealth Advisors Solutions Program**

***Participation in Fidelity Wealth Advisor Solutions®.*** LBMCI participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which LBMCI receives referrals from Fidelity Personal and Workplace Advisors, LLC (FPWA), a registered investment adviser and Fidelity Investments company. LBMCI is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control LBMCI, and FPWA has no responsibility or oversight for LBMCI's provision of investment management or other advisory services.



Under the WAS Program, FPWA acts as a solicitor for LBMCI, and LBMCI pays referral fees to FPWA for each referral received based on LBMCI's assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to LBMCI does not constitute a recommendation or endorsement by FPWA of LBMCI's particular investment management services or strategies. More specifically, LBMCI pays the following amounts to FPWA for referrals:

the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by FPWA and,

(ii) an annual percentage of 0.25% of all other assets held in client accounts.

For referrals made prior to April 1, 2017, these fees are payable for a maximum of seven years. Fees with respect to referrals made after that date are not subject to the seven year limitation. In addition, LBMCI has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by LBMCI and not the client.

To receive referrals from the WAS Program, LBMCI must meet certain minimum participation criteria, but LBMCI may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, LBMCI may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and LBMCI may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to LBMCI as part of the WAS Program. Under an agreement with FPWA, LBMCI has agreed that they will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, LBMCI has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when LBMCI's fiduciary duties would so require, and LBMCI has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA's affiliates to another custodian; therefore, LBMCI may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit LBMCI's duty to select brokers on the basis of best execution.

### **Schwab Advisor Network**

LBMCI receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through LBMCI's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with LBMCI. Schwab does not supervise LBMCI and has no responsibility for LBMCI's management of clients' portfolios or LBMCI's other advice or services. LBMCI pays Schwab fees to receive client



referrals through the Service. LBMCI's participation in the Service may raise potential conflicts of interest described below.

LBMCI pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by LBMCI is a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. LBMCI pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to LBMCI quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by LBMCI and not by the client. LBMCI has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs LBMCI charges clients with similar portfolios who were not referred through the Service.

LBMCI generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, LBMCI will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of LBMCI's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, LBMCI will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit LBMCI's fees directly from the accounts.

For accounts of LBMCI's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from LBMCI's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, LBMCI may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. LBMCI nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for LBMCI's other clients. Thus, trades for accounts maintained at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## Item 15 – Custody

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct the account custodian (Schwab or Fidelity) to deduct our advisory fees directly from your account or if you grant us authority to move your money or investments to another person's account. The custodian maintains actual custody of your assets. You will receive account statements directly from Schwab or Fidelity at least quarterly. They will be sent to the email or postal mailing address you provided to them. You should carefully review those statements promptly when you receive them. LBMCI urges you to compare those account statements to the periodic portfolio reports you will receive from us. Our statements might vary slightly from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

If you grant an LBMCI employee or any individual considered by the Securities and Exchange Commission (SEC) to be a supervised person of LBMCI access to your investment accounts or other financial accounts (i.e. bank accounts not managed by LBMCI), LBMCI is considered to have custody of your account with the ability to transfer your assets without your express knowledge. This currently only applies to a small number of trust or estate accounts where an individual associated with LBMCI is acting as trustee/executor or with clients who engage the affiliated firm LBMCI, PC Wealth Advisors Family Office services. All of the accounts that are considered to be in custody and requiring an annual surprise examination will be examined by an independent Certified Public Accountant at a date of their choosing and who will submit their report findings directly to the Securities and Exchange Commission. Accounts that are considered to be in custody because LBMCI can deduct fees directly from the account or the accounts where disbursements to a third-party meets the seven conditions the SEC requires to qualify for the "no-action" relief from examination, are not subject to an annual surprise examination.

## Item 16 – Investment Discretion

LBMCI usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, LBMCI observes the investment strategy statement, limitations, and restrictions of the clients.

Limitations and restrictions must be provided to LBMCI in writing.

#### **Item 17 – Voting Client Securities**

LBMCIA does not vote proxies of securities held in clients' accounts. Any proxy solicitations received by LBMCIA will be forwarded to the client so that they may vote them according to their own best interest.

#### **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about LBMCIA's financial condition. LBMCIA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.