



# LEE FINANCIAL

## Lee Financial Company

### Form ADV Part 2A – Brochure

**March 30, 2023**

*This Brochure provides information about the qualifications and business practices of Lee Financial Company (LFC). If you have any questions about the contents of this Brochure, please contact Patricia Stoll, Chief Compliance Officer, at (972) 960-1001 or [pstoll@leefin.com](mailto:pstoll@leefin.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

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

*We are registered with the Securities and Exchange Commission, which does not imply a certain level of skill or training. The oral and written communications we provide to you, including this Brochure, is information available for you to use in your decision to hire LFC or continue a professional relationship with LFC.*

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## ITEM 2 – MATERIAL CHANGES

This filing of our Form ADV contains the following material changes from our last annual update dated June 22, 2022. This brochure contains routine updates to the prior brochure.

### Summary of Material Changes:

- In Item 4, we have expanded our description of fiduciary obligations with regard to Qualified Rollovers.
- In Item 15, we have clarified instances in which we are deemed to have Custody.
- In Item 10, we have updated disclosure regarding outside business activities of management and ownership changes.

On occasion, we will update this brochure and send you a copy or offer to send you a copy by electronic means (e-mail), through our website, or in hard copy form.

If you would like another copy of this Brochure, please download it from our website ([www.leefin.com](http://www.leefin.com)) or the Securities and Exchange Commission's website ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)) or contact our Chief Compliance Officer (CCO) Patricia Stoll at (972) 960-1001.

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## **ITEM 4 – ADVISORY BUSINESS**

### ***WHO WE ARE***

Lee Financial Company (LFC) was founded in 1975 by Richard R. Lee, Jr. CFP® CFA as a fee-only financial planning and investment advisory firm in Texas. LFC is independently owned and operated. Our principal executive members are Richard R. Lee, Jr. CFP® CFA (Chairman, CEO and Founder), Christina Williams, President, William A. Luckey II, Chief Financial Officer, Dan Peters, Director of Portfolio Management, Danny Boyce, Director of Investments, and Nic Gibson, Senior Financial Planner. No one person owns more than 25% of the firm.

We offer personalized financial planning and investment management services. Financial planning is the foundation of the firm's services with most of our clients. "Fee-only" means LFC is paid through fees received from our clients. We believe if an advisor stands to gain financially from the purchase of any investment, or insurance product, there is an increased potential for conflicts of interest. Our allegiance is to our clients, and our incentive is to serve our clients' best interests.

LFC has developed a team approach to provide financial planning and portfolio management services. To manage your financial assets, we believe it is necessary to understand your goals and objectives in all areas. We add value by helping you define specific goals, provide analysis for the possibility of meeting the goals, monitor your progress in reaching those goals, redefine goals as appropriate, and assist in the management of the financial assets that play a role in achieving those goals.

### ***OUR PHILOSOPHY***

We believe our success in helping individuals, families, and businesses achieve their goals lies in our holistic approach – the WholeVision™ process. WholeVision™ is a term that describes what we consider to be your complete financial picture, similar to how one would design a business plan for their company. WholeVision™ consists of four types of capital: Human Capital, Financial Capital, Fulfillment Capital, and Shared Capital. Each is vitally important in its own way to overall wealth. We work closely with you to establish goals for personal growth and fulfillment while managing your financial planning needs and identifying opportunities around your vision.

- **HUMAN CAPITAL**

The value each individual will receive in their lifetime from the employment of their personal talents, skill set, education, and experience. The harvesting of this human capital will usually constitute the largest contribution to each person's future net worth and consumption.

- **FINANCIAL CAPITAL**

The capital that has been harvested from each individual or family's Human Capital. These funds are invested to accomplish specific targeted goals such as long-term personal financial security, working capital for entrepreneurial businesses, support obligations for extended family members, future education costs, and financial contingencies.

- **FULFILLMENT CAPITAL**

People reward themselves with a chosen standard of living and certain lifestyle purchases. These costs evolve over time based on the success of their Human Capital and Financial Capital.

- **SHARED CAPITAL**

The capital that is voluntarily shared with other members of the family, earmarked for philanthropic purposes, or set aside for income and estate taxes.

All forms of capital interact to establish a complex and evolving picture of wealth. LFC helps manage these diverse aspects of wealth to cultivate your security, success, and fulfillment.

### ***OUR TEAM APPROACH***

LFC clients have the option to receive both financial planning and investment management services from a team of advisors. LFC has seven (7) primary types of advisors and a client's team will include a mix of these advisors or just one, depending on the client's service needs and complexity:

- Senior Financial Planner
- Financial Planner
- Associate Financial Planner
- Senior Portfolio Manager
- Portfolio Manager
- Associate Portfolio Manager
- Family Capital Strategist

### ***FINANCIAL PLANNING***

Our financial planning team is generally made up of Associate, Junior and Senior Financial Planners. Should you engage LFC to provide financial planning, the Team will generally gather your financial information, develop your financial plan, and present and continue to monitor your plan throughout the long-term relationship. Our Financial Planning Team members do not provide portfolio management services independently; rather, they work closely with your Portfolio Manager so that your investment portfolio is built around your near and long-term goals. Our Financial Planning Team will help you establish and achieve personal and financial goals while assessing risk and helping you prepare for both planned and unexpected life events. These services can include, but are not necessarily limited to, the following:

- Goal development and tracking
- Balance sheet preparation
- Cash flow planning and budgeting
- Insurance review (life, property and casualty, disability, long-term care, health)
- Income tax review
- Financial independence/retirement planning
- Legacy development/estate planning and wealth transfer

- Education planning
- Philanthropic planning, including charitable foundation management
- Business development and succession planning

Clients will receive written and verbal recommendations from their Financial Planning team members on steps to take to achieve the goals established by the client. The Financial Planning team members will collaborate with the client and help implement the recommendations. A Financial Planning team member could recommend the client create an investment account for LFC to manage. Such recommendations are a conflict of interest as they could potentially generate additional compensation to the firm.

### ***INVESTMENT MANAGEMENT***

Our Portfolio Management Team invests the capital you place in your portfolio under our management. Each portfolio is structured to meet your unique needs for liquidity (cash), stability, current income, long-term growth, tax efficiencies (as appropriate), and risk tolerance. Our Portfolio Management Team consists of Senior Portfolio Managers, Associate Portfolio Managers, and Investment Analysts.

The Investment Committee (IC) is responsible for the investment activities of the firm. The IC oversees the overall investment policy and strategy; asset allocation strategies and risk management across portfolios; manager selection; investment due diligence; performance measurement; and communication with our Senior Portfolio Managers who meet with clients.

Our Portfolio Managers advise and make recommendations on investment opportunities and manage your investment portfolio in an attempt to achieve its goals and objectives. During a typical meeting, your Portfolio Manager will discuss your investment portfolio.

The Senior Investment Analysts spend time researching and analyzing the investment opportunities recommended to you; however, they are not usually actively involved in your meetings.

### ***ADVISE TO RETIREMENT PLANS***

LFC also provides retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, LFC shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall be set forth in a Retirement Plan Consulting Agreement between LFC and the plan sponsor.

### ***DEPARTMENT OF LABOR ACKNOWLEDGEMENT OF FIDUCIARY DUTY***

When LFC provides investment advice to clients regarding IRAs or retirement plans, LFC is a fiduciary as defined by Title 1 of the Employee Retirement Income Security Act (ERISA) or the Internal Revenue Code. As a fiduciary, LFC is subject to rules that require it to act in the best interest of clients and not to put its interests before clients. Under these rules, the Company must meet a professional standard of care when providing investment advice and not put its financial interests

ahead of clients when making recommendations; avoid materially misleading statements; adopt and policies and procedures designed to result in advice that is in the best interest of clients; and charge a fee that is reasonable for the services provided.

## ***SPECIALIZED SERVICES***

### ***Family Capital Services***

LFC works with clients to maximize their human capital potential. Our goal is to allow our clients to achieve the most benefit from their unique talents, skills, and education. The Family Capital Team is a dedicated team that handles complex client situations. The team provides assistance with, but not necessarily limited to, the following:

- Develop plans for transitional business situations including the growth of an enterprise, business acquisition or sale, and/or partner buyout.
- Work to develop relationships with business and social contacts, knowledge networks, and collaborative partners.
- Conceptualize and create visual presentations and models to illustrate stock positions, business dynamics, real estate holdings, and tax implications.
- Coordinate the WholeVision™ implementation of a clients' business with their investment portfolio.

Family Capital services can result in additional fees to clients depending on the scope of projects.

### ***Foundation Services***

LFC offers management services for private family foundations which can include, but are not necessarily limited to, the following:

- Assistance in the establishment of the foundation;
- Facilitate grant payments;
- Creation and management of investment portfolio assets; and/or
- Board communication and investment presentations.

### ***Limitations to Financial Planning and Non-Investment Consulting/Implementation Services***

To the extent requested by a client, LFC shall provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. LFC **does not** serve as an attorney, accountant, or insurance agent, and no portion of our services should be construed in the same manner. Accordingly, LFC **does not** prepare estate planning documents, tax returns, or sell insurance products. To the extent requested by a client, we sometimes recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance, etc.). You are under no obligation to engage the services of any such recommended professional. You, as the client, retain absolute discretion over all such implementation decisions and you are free to accept or reject any recommendation that we make. LFC or Supervised Persons do not receive any compensation from these referrals.

### ***Retirement Rollovers – Potential Conflict of Interest***

LFC provides advisory services to retirement investors. For example, LFC may recommend a rollover of a client's retirement assets into an IRA account to be managed by LFC. It may also recommend the rollover of a client's existing IRA into an IRA account to be managed by LFC.

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 on the client's age, result in adverse tax consequences).

At a minimum, Investors should consider fees and expenses, investment options, services, penalty-free withdrawals, protection from creditors and legal judgments, required minimum distributions, and employer stock. LFC encourages you to discuss your options and review the above listed considerations with an accountant, third-party administrator, investment advisor to your Employer Plan (if available), or legal counsel, to the extent you consider necessary.

If LFC recommends that a client roll over his or her retirement plan assets into an account to be managed by LFC, such a recommendation creates a conflict of interest if LFC will earn an advisory fee on the rolled over assets. When acting in such capacity, LFC serves as a fiduciary under the Employee Retirement Income Security Act (ERISA). LFC advisors follow the rules and meet the requirements promulgated by the Department of Labor's Prohibited Transaction Exception (DOL PTE) 2020-02 when advising a client regarding a client's retirement account.

Additional resources about IRA Rollovers are available to investors through FINRA's web site at [www.finra.org](http://www.finra.org).

### ***LFC PRIVATE FUNDS***

LFC is also General Partner and Investment Manager for several private funds ("LFC Partnerships"). Currently LFC has one fund, LFC Equity Plus Tail Protection, LLC accepting new investors. Investments in the Fund are not registered under the Securities Act of 1933, as amended, and are only offered after delivery and perusal of a private placement memorandum and execution of the subscription agreement and other offering documents. Investments in the Fund is offered only to accredited investors within the meaning of SEC Rule 501 of Regulation D of the Securities Act of 1933. Investments in the Fund is offered by private offering memorandum and subscription agreement which provides investors with full disclosure regarding the objectives of the Fund, the risks involved with the offering and the minimum initial capital contribution required.

Generally, LFC serves as the Manager to the Fund and receives a management fee on invested capital as described in the subscription agreement and other offering documents. You should refer to the subscription agreement and other offering documents for a complete description of the fees, investment objectives, risks, and other relevant information associated with investing in the Fund. The Fund undergoes an independent audit annually by a Public Company Accounting Oversight Board ("PCAOB") registered firm.



### ***Wrap Fee Programs***

We do not participate in wrap fee services, which service bundle investment advisory and brokerage fees into a flat fee structure.

### ***Managed Assets***

As of December 31, 2022, we managed the following client assets:

Discretionary:	\$ 1,163,523,769
Non-Discretionary:	\$ 2,817,284

“Discretionary” means LFC has your approval to manage your account(s), including placing trades, without seeking consent on each marketable securities trade. “Non-Discretionary” means LFC **does not** have your approval to manage your account(s), and you must approve every financial transaction, or you have directed an outside third-party to manage your account(s).

## **ITEM 5 – FEES AND COMPENSATION**

### ***FEE CALCULATION METHODS***

The standard fee for LFC’s services is the greater of either a calculated fee determined by the total amount of your assets’ fair market value (*as described below*) managed by LFC, or a fixed minimum fee amount based on the level of services you require. The calculated fee is tiered as follows:

- 1.0% of fair market value of managed assets less than \$10 million; plus
- 0.75% of fair market value of managed assets \$10 million to \$20 million; plus
- 0.50% of fair market value of managed assets \$20 million to \$30 million; plus
- 0.35% of fair market value of managed assets over \$30 million.

Your LFC managed assets (also referred to as your “assets under management (AUM)”) consist of those funds and securities which LFC is to exercise investment authority. The fair market value (FMV) of your “assets under management” is determined as of the last business day of each calendar quarter.

FMV is typically the value at which the assets trade in the secondary market but could also be the valuation provided by an outside source such as an administrator, auditor, or pricing service, or as valuation is described by an investment entity’s offering documents. Private equity and real estate investments for which no current FMV is available are reflected at the most recent valuation provided by the fund manager, estimated valuation based on an asset appraisal, or at original cost, adjusted for returns of capital distributions, as applicable.

LFC may provide services for a negotiated flat fee based on the level of services clients require. Fees are paid quarterly in advance and are deducted directly from your account during the quarter but can be billed to you upon request. When billing new clients for a partial quarter, initial billing may be in arrears. Additional requested services will on occasion change your standard fee structure or cause you to be billed in arrears versus in advance each quarter. If relationship/billing start date is other than the end of the billing period, the first quarter’s fee will be prorated accordingly. Similarly, if a client terminates their agreement with LFC prior to the end of a billing period, the amount of pre-paid fees that need to be reimbursed to the client is calculated and refunded with a company check

that accompanies the termination letter.

If you are invested in a partnership for which LFC is the general partner and you are also an Investment Management client, LFC's partnership management fee is credited against your LFC fee to avoid double billing.

If a client directs LFC to purchase specific securities or assets in their managed account, LFC will do so to accommodate the client, but the client remains responsible for the monitoring of this client-directed purchase. LFC will continue to include such assets as part of "assets under management" for purposes of calculating LFC's fee.

On occasion, LFC recommends that certain qualified clients consider an investment in unaffiliated private investments. These investments do not pay LFC an investment fee. LFC's role relative to these private investment funds shall be limited to initial and ongoing due diligence and investment monitoring services. If a client decides to participate in such an investment, the fair market value or estimated valuation, as described above, of that investment will be included as part of a client's "assets under management" for purposes of calculating LFC's fee.

**Please Note: LFC clients are under absolutely no obligation to consider or make an investment in an unaffiliated private investment fund.**

*Fee Differentials:* We price our advisory services based upon various factors. As a result, our clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, related accounts with LFC, the level and scope of the overall investment advisory services to be rendered and client negotiations. LFC may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

### ***Family Capital Services Fees***

Depending on the scope of Family Capital services provided, fees may be included in our basic fee structure or billed as a separate, additional fee.

### ***Company Retirement Plan Consulting Services***

The terms and conditions of LFC's retirement plan consulting services shall generally be set forth in a Retirement Plan Consulting Agreement between LFC and the plan sponsor. Individual LFC clients who also engage LFC to provide retirement plan consulting services to their company's retirement plan will generally pay a fee of 0.35% of the FMV of the plan's assets under advisement.

### ***Additional Fees and Expenses***

Fees payable to LFC **do not** include fees associated with purchasing or selling securities for your account(s). Below are some examples of fees or expenses that you may incur and are paid directly to third parties. See Item 12 for more details. These fees are charged by your broker-dealer, custodian, mutual fund, or other investment adviser. LFC is not affiliated with any broker or custodian. We do not receive, directly or indirectly, any of the fees charged to you.

- Brokerage commissions;
- Transaction fees;
- Investment management fees, advisory fees, performance fees and administrative fees charged by Mutual Funds (MF), Exchange Traded Funds (ETFs), sub-advisors, hedge funds, or other investment vehicles;
- Custodial fees;
- Deferred sales charges (for mutual funds or annuities);
- Transfer taxes; and/or
- Wire transfer and electronic fund processing fees.

### ***Product Specific Fees and Expenses***

- LFC affiliated private funds

LFC manages and receives compensation (management fees and/or administration costs) from the firm's affiliated private funds. As stated above, LFC does not charge a separate fee on those assets to clients who own an interest in the funds.

- Independent Managers (including Separate Account Managers)

LFC will on occasion recommend that a client allocate a portion of client's assets among certain independent investment manager(s) who will manage the designated assets on a day-to-day discretionary basis (the "Independent Manager(s)"). LFC will continue to provide investment advisory services to the client relative to the ongoing monitoring and review of the Independent Manager(s), account performance, asset allocation and client investment objectives. Factors which LFC will consider in recommending Independent Manager(s) include the manager's investment objective(s), management style, performance, and reputation. The fees charged by the Independent Manager(s) are in addition to LFC's fees and custodian fees and commissions.

**Please Note: LFC clients are under absolutely no obligation to engage any Independent Manager(s).**

- Mutual Funds and ETFs

LFC recommends mutual funds and ETFs for use in client accounts. To the extent that a client's assets are invested in these vehicles, clients will pay management and other fees in addition to the fees paid to LFC. Those fees and expenses are described in each vehicle's prospectus.

Most mutual funds and ETFs are available directly to the public. Thus, a client can obtain many of the investments that might be recommended and/or used by LFC, independent of engaging LFC as their investment adviser. However, if a prospective client determines to do so, they will not receive LFC's initial and ongoing investment advisory services.

- Self-Directed Employer Retirement Plans - No Obligation/Conflict of Interest

A client or prospective client is under absolutely no obligation to engage LFC as the investment adviser for their employer sponsored retirement account. Rather, a client can

continue to self-direct the retirement account with his or her employer. If the client determines that they would like LFC's assistance, then LFC could potentially charge a separate and additional fee for its ongoing advisory services. The client will not incur this separate and additional advisory fee if the client determines to continue to self-direct his or her account. As a result, any recommendation by LFC that a client engage LFC to manage his or her retirement account presents a conflict of interest since LFC shall derive an economic benefit from such engagement.

## **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

LFC **does not** charge or accept any performance-based fees.

## **ITEM 7 – TYPES OF CLIENTS**

LFC advises high net worth individuals that have accumulated wealth or individuals that have the capacity to do so. LFC clients are committed to integrating both financial planning and investment management to meet their goals. Our experience has shown that clients that meet both of these criteria are poised to benefit most from our services. Clients have the ability to choose the services they receive from LFC, such as investment advisory only or financial planning only. Services are based on what is typically needed for an individual at various wealth levels. We will use our best judgment to determine if we believe a client can benefit from our services.

LFC also provides services to:

- Trusts;
- Estates;
- Charitable organizations;
- Private funds;
- 401(k) and Defined Benefit Plans – investment selections only; and
- Corporations or other business entities.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***OUR INVESTMENT STRATEGIES AND METHODS OF ANALYSIS***

LFC has an Investment Committee (IC) that provides oversight and ensures consistency in overall investment strategy. This committee also discusses core investment themes relevant to how client portfolios are managed. The Investment Committee also manages the LFC Equity Plus Tail Protection Fund, LLC. The committee provides oversight for the Fund and monitors redemptions and subscriptions. For certain clients who are sophisticated investors with generational capital, there is a separate servicing model provided by the Family Capital Team

The Investment Committee is responsible for:

- Evaluating mutual funds, ETFs, separately managed accounts, structured notes, hedge funds, individual stocks, bonds, and private illiquid investments.
- Structuring and upholding the due diligence process established for investments.
- Establishing macro and micro views.
- Setting portfolio construction and risk-based asset allocation guidelines.
- Periodically recommending portfolio actions.
- Evaluating investments based on reporting and risk parameters set by the committee.
- Establishing the monitoring and reporting process for selected investments.

Some of the factors the committee will consider when analyzing due diligence for investment strategies utilized include the following:

- A review of the diversification benefits of the investment, partnership, or fund.
- A review of the objective and constraints of the investment, partnership, or fund.
- A review of qualitative and quantitative factors of the investment, partnership, or fund.
  - Qualitative factors include a review of available information regarding manager tenure, competitive profile, track record, and established history.
  - Quantitative factors include a review of available information regarding the investment, partnership, or fund's risk/return profile, and correlation to relevant benchmarks and other investments.
- A review of the outlook of the manager and positioning of the investment, partnership, or fund.
- A review of potential investment risks and relevant documentation, potentially including a due diligence questionnaire (DDQ) and a manager's Form ADV.
- An assessment of the strength of third-party relationships, back office, and investor reporting capabilities.
- An assessment of tax efficiency and review of tax related documents.
- A review of fees, costs, or constraints such as availability, minimums, and terms.

LFC primarily utilizes the following fundamental investment strategies when implementing investment advice given to clients:

- Long-Term Purchases (securities held at least a year); and/or
- Short-Term Purchases (securities sold within a year).

LFC recommends asset allocations based on a particular client's economic situation, liquidity needs, risk tolerance, proposed investment period, need for diversification, reliance upon current income, present and anticipated tax situation. LFC also considers historical yields, potential appreciation, and marketability before making investment recommendations. LFC recommends and manages many types of asset allocations, including separately managed accounts, open ended mutual funds, structured notes, private investment vehicles, ETFs, and exchange-listed securities and private placements of securities on a discretionary and/or non-discretionary basis in accordance with the client's designated investment objective(s).

## ***INVESTMENT RISKS***

**Investment Risk:** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by LFC) will be profitable or equal any specific performance level(s). In addition, LFC may recommend investments in non-traditional investment strategies that have their own inherent risks including but not limited to leverage and derivatives.

**Methods of Analysis:** To perform an accurate market analysis, LFC must have access to current/new market information. LFC has no control over the dissemination rate of market information; therefore, unbeknownst to LFC, certain analyses may be compiled with outdated market information, severely limiting the value of LFC's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

**Long-Term and Short-Term Purchases:** Longer-term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter-term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, occasionally incur higher transactional costs when compared to a longer-term investment strategy.

**Equity Securities:** LFC may invest in equity securities for client portfolios. The value of equities varies with the performance of the issuer and movements in the equity markets. A client may suffer losses if they invest in equity securities of issuers whose performance diverges from LFC's expectations or if equity markets move in a certain direction.

**Fixed Income Securities:** LFC invests in bonds and other fixed income securities within client portfolios. These debt securities may be issued by corporations or issued and guaranteed by the U.S. government or one of its agencies. These securities may pay fixed, variable, or floating rates of interest. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. A major economic recession could severely disrupt the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest and increase the incidence of default for such securities.

**Private Investment Funds:** Private investment funds, including any affiliated funds, involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency. A complete discussion of all risk factors associated with a private investment fund is set forth in each fund's offering documents, which are provided to each client for review and consideration when LFC recommends such an investment. Unlike liquid investments that a client may hold, private investment funds generally do not provide daily liquidity or pricing. Clients should be prepared to have restrictions on their ability to redeem all or part of their investment from these vehicles.

Each prospective client investor will be required to complete a Subscription Agreement, pursuant to

which the client shall establish that they are qualified for investment in the fund and acknowledge and accept the various risk factors associated with such an investment.

**Valuations:** LFC may reference private investments owned by a client on statements prepared by LFC. The values of such private investments will rely on information provided by the underlying investment managers of such private investments. This information is based on the most recent valuation unless no valuation is available. Valuations are often prepared according to the documents that govern the private investments. LFC considers this to be a reliable representation of fair value. On occasion, LFC will independently provide adjustments to supplied net asset valuations where in our best judgment we cannot verify its accuracy or where liquidity is restricted. In cases where reliable valuations are not available, LFC may determine that reflecting the private investments at cost, reduced by return of capital distributions, if applicable, is appropriate for some private investments. Because of the potential uncertainty found in the valuation process for private investments, the estimated fair values used for these investments may differ significantly and/or materially from values later realized upon the actual liquidation of the investments.

**Margin Transactions:** LFC will implement and/or recommend, as appropriate for client needs, margin transactions (use of borrowed assets to purchase financial instruments). Given the high level of inherent risk (*see discussion below*) associated with these strategies, LFC **does not** consider these transactions as a normal course of business. That being said, certain types of managers employed by LFC may utilize these strategies as a normal course of their business practices.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin.

**Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by LFC in the management of the client's investment portfolio, the market value of the client's account could cause the corresponding fee payable by the client to LFC to be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the conflict of interest whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to LFC. Accordingly, the decision to employ margin is left to the discretion of the client.

**Scarce Investment Opportunities:** On occasion, an opportunity to invest in a public or private scarce investment opportunity becomes available. There is risk that the size of the investment will not be sufficient to meet our client's indication of interest. In such a case, LFC's allocation policies will be followed. The investment team and a client's relationship team will work together to consider the unique needs of each of LFC's clients and distribute the opportunity among as many suitable clients as possible in a fair and equitable manner. LFC utilizes numerous factors to determine each client's suitability for scarce investment opportunities.

If after determining client suitability there are still more clients than the investment size, the allocation methodology will be done as fairly and equitably as possible, and allocations will be evaluated and ranked based on the following:

- Minimum investment size – Is the minimum investment size an appropriate risk allocation for the client?
- Client allocation size – Will a pro-rata allocation result in client allocations that are too small (in terms of dollars or percent of the client portfolio) to warrant an investment?
- Relationship with sponsoring entity – Clients who have a pre-existing relationship with the sponsoring entity will be given priority due to their familiarity with the investment.
- Client's historical participation in similar investment structures – We believe that clients who have shown a propensity to invest in similar types of investments would be a better fit for this in their portfolio rather than clients who do not have this history.

On occasion, a client may apply for a loan from a banking institution (LFC does not lend money) and use their LFC account(s) as collateral for that loan if allowed by the bank. LFC generally does not recommend clients obtain such securities-based lines of credit or collateralized loans and such a recommendation is a conflict of interest. In the event the client desires to participate in a securities-based line of credit or collateralized loan, LFC will work with the client and the banking institution to accommodate this request.

**Note:** To the extent that a client authorizes the use of an LFC account as collateral for a loan with a banking institution, and such collateralization is accommodated by LFC, the market value of the client's account and the corresponding fee payable by the client to LFC has the potential to be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the collateralizing of their LFC account for a loan, clients authorizing such collateralization are advised of the conflict of interest whereby the client's decision to employ such a strategy *may* correspondingly increase the management fee payable to LFC. Accordingly, the decision to employ collateralized account lending from a banking institution using their LFC account is left to the discretion of the client.

## **ITEM 9 – DISCIPLINARY INFORMATION**

LFC does not have any legal, financial, or other disciplinary items to report. We are obligated to disclose any disciplinary event that would be material to you when evaluating LFC to initiate a client/advisor relationship, or to continue a client/advisor relationship with LFC. This information applies to our firm and our employees.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### ***REGISTRATION AS A BROKER-DEALER OR BROKER-DEALER REPRESENTATIVE***

Neither LFC, nor its management persons, are registered or have an application pending to register, as a broker-dealer or a representative of a broker-dealer.

### ***REGISTRATION AS FUTURES COMMISSION MERCHANT, COMMODITY POOL OPERATOR OR TRADING ADVISOR***

Neither LFC nor its management persons are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.



## ***OTHER FINANCIAL INDUSTRY ACTIVITIES***

LFC serves as the General Partner to partnerships that we have offered to our clients for investment purposes. LFC created these partnerships so our clients could participate in a broader investment universe within private investment opportunities for a lower minimum investment size than if our clients attempted to invest directly in the same assets individually. LFC Equity Plus Tail Protection Fund, LLC is the only fund LFC serves as General Partner to that is currently accepting new investors.

The following section provides a listing of partnerships (by category) but is **not** an offering of partnership interests.

### ***Real Estate***

- LFC Borders, Ltd. – a Texas Limited Partnership
- LFC Horizon, Ltd. – a Texas Limited Partnership
- LFC Island Partners, Ltd. – a Texas Limited Partnership
- LFC Province, Ltd. – a Texas Limited Partnership
- LFC Stanford, Ltd. – a Texas Limited Partnership
- LFC Target Performance Fund, Ltd. – a Texas Limited Partnership
- LFC Terra, Ltd. – a Texas Limited Partnership

### ***Energy and Infrastructure***

- LFC Energy Resources, Ltd. – a Texas Limited Partnership
- LFC Energy Royalty, Ltd. – a Texas Limited Partnership
- LFC Matrix Resources, Ltd. – a Texas Limited Partnership
- LFC Summit Resources, Ltd. – a Texas Limited Partnership

### ***Private and Other Investments***

- LFC Novus, Ltd. – a Texas Limited Partnership
- LFC Quik Way Shell DFW, Ltd. (Level A and B) – a Texas Limited Partnership
- LFC Structured Settlement Fund, Ltd. – a Texas Limited Partnership.

### ***Open Ended Liquid and Hedge Funds***

- LFC Equity Plus Tail Protection Fund, LLC – a Texas Limited Liability Company

## ***POTENTIAL CONFLICTS OF INTEREST***

### ***Investments in LFC Partnerships that Relate to Client Investments or Ownership***

Many LFC clients have significant and diverse business interests. LFC will on occasion invest in companies or entities where our clients are employed, hold ownership rights, or may be otherwise involved. A related and common occurrence of this would be if a client owned ABC stock or worked for ABC Company and LFC recommended ABC stock to other clients. Another example would be if a client who runs a real estate fund and one of LFC's affiliated funds invested in the client's real estate fund. Every investment is made on the merits of the investment opportunity; however, if a

client holds an ownership interest or manages one of the funds, it can give the impression that LFC is investing partnership assets to benefit that client, which would be a conflict of interest. LFC has specific procedures in place to address this potential conflict by carefully scrutinizing and monitoring situations when this type of scenario comes up. If it is determined that a true conflict of interest exists, LFC will either choose not to participate in the investment or will notify the clients involved of the conflict.

### ***Legal Representation***

Our corporate general counsel is Palmer & Manuel, PLLP. Our corporate human resources (HR) counsel is Burford & Ryburn, LLP. LFC uses Malouf Nakos Jackson & Swinson, P.C. to prepare agreements or contracts for matters involving the limited partnerships for which LFC is the General Partner. Malouf Nakos Jackson & Swinson, P.C. provides legal advice in connection with the private fund LFC opened in 2022, LFC Equity Plus Tail Protection Fund, LLC. LFC clients occasionally request an attorney to assist them with legal issues, and LFC often recommends several different attorneys to clients, including the law firms above for legal assistance on client specific matters. These matters may involve contracts or other business needs that are unrelated to our investment management practice. LFC has no incentive to recommend any of the above or any other attorney. However, clients should be advised that we also have a business relationship with these law firms.

### ***Income Tax Preparation***

LFC utilizes the services of Tim Carmody, CPA for its income tax returns and all tax returns for the affiliated partnerships for which LFC serves as General Partner. Additionally, Shirley Ogden, LFC's Director of Investments, performs work for Mr. Carmody on a part-time basis. LFC clients occasionally request a CPA to assist them with federal or local tax issues, and LFC often recommends several different CPAs to clients, including Mr. Carmody, for tax assistance on client specific matters. These matters may involve federal income tax returns, state income tax returns or other tax needs that are unrelated to our investment management practice. There is no incentive to recommend Mr. Carmody or any other CPA. However, clients should be advised that we also have a business relationship with Mr. Carmody.

### ***Fiduciary Appointments***

For limited clients, an LFC employee can serve in their individual capacity as a trustee for a trust created by or for the benefit of a client or as an appointed agent for a client's financial matters through a durable or springing power of attorney document. Conflicts arise in these roles when a trustee or agent decision would result in an increase to the fee the client pays to LFC.

### ***Board Seats***

Richard R. Lee, Jr. is a member of the Advisory Board of Wynne/Jackson Inc., a real estate development firm located in Dallas, and is compensated for his services. Some clients of LFC may be owners or employed by Wynne/Jackson Inc. He also serves on the Strategic Advisory Board for the CFA Society of Dallas-Fort Worth. He is not compensated for his services.

Christina S. Williams was elected to hold a position on the Schwab Advisory Board. She is not compensated for her services.

Jennifer A. Armstrong serves on the Board of Governors for the Dallas Estate Planning Council. She is not compensated for her services.

Jaime N. Boyles currently serves as Chair of the Financial Planning Association of DFW. She also serves on the Advisory Council of the Communities Foundation of Texas. She is not compensated for her services.

Shirley A. Ogden was elected to hold a position of a CFA Institute's President's Council Representative for the Central and Southwest Region of the U.S. and in that role is a liaison between the CFA Institute and the ten societies and seven states in the region. She is a member of the CFA Institute's Investment Sub-Committee and on the CFA Societies Texas Advocacy Committee. She will continue to serve as a judge for the annual Southwest U.S. Investment Research Challenge. She is not compensated for her services.

### ***Ownership in Client Related Businesses or Funds and Other Compensation***

William A. Luckey II is a 9.13 percent owner and member of 18<sup>th</sup> & Vine, a Texas LLC which owns and operates a restaurant in which an LFC client owns an interest. Outside of his employment with LFC, Bill also provides real estate consulting and financing for compensation. Service in these roles could create a potential for conflicts of interest, and while we do not think it is material, we are mitigating the potential by disclosing his participation.

### ***LFC Management's Ownership in Entities***

LFC Holding Co. was formed in 2016 and, until recently, was the majority owner of LFC. Richard R. Lee, Jr. is the sole owner of LFC Holding Co. LFC Holding Co. continues to be the largest owner. LFC is currently owned by a group of advisors providing services to clients of LFC.

### ***National Advisor Trust Company (NATC) Ownership***

LFC has an immaterial ownership in National Advisor Trust Company (NATC), which sometimes serves as a custodian or trustee for our clients. Please see *Item 15 – Custody* for more details on this relationship.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### ***CODE OF ETHICS***

We owe you a fiduciary duty while conducting your affairs to avoid:

- Serving our personal interests ahead of yours;
- Allowing employees to take inappropriate advantage of their position with the firm; and
- Actual or potential conflicts of interest or abuse of a position of trust and responsibility.

Our name and reputation are a direct reflection of the conduct of our employees. The purpose of our Code of Ethics is to avoid activities that could lead to, or give the appearance of, conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct. According to Section 206 of the Advisers Act, we are prohibited from engaging in fraudulent, deceptive, or manipulative

conduct. We are subject to the following fiduciary obligations during our relationship with you:

- The duty to provide a reasonable and independent basis for our investment advice;
- The duty to obtain the best execution whenever we direct your brokerage transactions;
- The duty to ensure our investment advice meets your individual objectives, needs and circumstances; and,
- A duty to be loyal to you, and act solely in your best interest.

. All employees are expected to demonstrate the highest standards of moral and ethical conduct. We maintain a Code of Ethics (Code) that addresses standards of business conduct, conflicts of interest and personal trading.

Please contact our Chief Compliance Officer, Patricia Stoll, for a copy of our Code of Ethics if you want additional details. You can reach her at (972) 960-1001.

### ***PRE-CLEARANCE FOR EMPLOYEE SECURITY PURCHASES***

LFC defines all employees as access people. As such they are required to obtain prior approval from our CCO or designee for the personal purchase or sale of certain securities in their personal accounts. Limited exceptions are made in cases where the employee does not have discretion of their account.

### ***PERSONAL TRADING - REPORTING REQUIREMENTS***

Rule 204-2(a)(12) of the Advisers Act requires employees to report their personal securities transactions within thirty (30) calendar days following the end of each quarter. Employees are also required to provide initial and annual holdings reports. Our CCO monitors employee transactions to avoid transactions that are in conflict with our Code of Ethics.

### ***PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS***

On occasion, we recommend that a client buy or sell equity securities or investment products in which our firm or employees have some financial interest. This could create a potential conflict of interest. To avoid conflicts of interest, we do not trade in conflict with the investment interests of our clients.

Employees may not trade securities in their own accounts ahead of clients. Self-directed trades in employee accounts require pre-clearance before trading. When LFC has trading authority over the account, employee trades are aggregated with other client trades to avoid any conflict of interest. Most days, LFC only trades once at the end of the day. For certain investments, LFC blocks trades and everyone gets the average price. No client or employee is favored.

Our employees must have prior approval from our Chief Compliance Officer (CCO) or designee before they can invest alongside clients in private investments. Prior approval is based, in part, on whether the partnership is illiquid or liquid. For illiquid partnerships, shares are limited; therefore, LFC clients receive first priority to invest. After LFC clients are given first priority, employees may invest alongside our clients' interests. For liquid partnerships, shares are unlimited, so employees may generally invest alongside clients' interests.

LFC **does not** purchase securities from clients, nor do we sell securities to clients. We are prohibited from borrowing money or securities from clients, or lending money to clients.

## ITEM 12 – BROKERAGE PRACTICES

### ***SELECTING BROKERS***

If a client requests that LFC recommend a broker-dealer/custodian for execution and/or custodial services, LFC recommends that investment management accounts be maintained at *Fidelity*, *NATC*, and/or *Schwab*. LFC owns an immaterial interest in NATC. However, LFC does not recommend clients use NATC unless NATC is the broker-dealer or custodian that would be appropriate for the given client transaction or asset. NATC does not provide any additional benefits to LFC as a result of this relationship. Before engaging LFC to provide investment management services, the client will be required to enter into a formal *Client Advisory Agreement* with LFC setting forth the terms and conditions under which LFC shall manage the client's assets.

Factors that LFC considers in recommending *Fidelity*, *NATC*, and/or *Schwab* (or any other broker-dealer/custodian to clients) include a historical relationship with LFC, financial strength, reputation, execution capabilities, ease of administration/management, security, pricing, research, and service. Although the commissions and/or transaction fees paid by LFC's clients shall comply with LFC's duty to obtain the best execution, a client may on occasion pay a commission/fee that is higher than another qualified broker-dealer may charge to affect the same transaction where LFC determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although LFC will seek competitive rates, it will not always obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, LFC's investment management fee. LFC's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

#### Research and Additional Benefits

LFC does not participate in any soft dollar arrangements.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, LFC *could* receive from *Fidelity*, *NATC*, and/or *Schwab* (or another broker-dealer/custodian, investment manager, platform, or fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist LFC to better monitor and service client accounts maintained at such institutions. For example, LFC may receive support services including investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, and/or other products used by LFC in furtherance of its investment advisory business operations.

LFC's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity*, *NATC*, and/or *Schwab* as a result of this arrangement. There is no corresponding commitment made by LFC to *Fidelity*, *NATC*, and/or *Schwab* (or any other any entity) to invest any

specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement.

#### Directed Brokerage

When a client requests or instructs LFC to direct a portion of its securities transactions to a specified broker-dealer, the Firm will treat the client direction as a decision by the client to retain, to the extent of the direction, the discretion that the Firm would otherwise have in selecting broker-dealers to effect transactions and in negotiating commission generally for the client's account. Although LFC will attempt to affect such transactions in a manner consistent with its policy of seeking best execution and the price on each transaction, there may be occasions where it is unable to do so, in which case the Firm will continue to comply with the client's instructions on the foregoing basis.

#### Mutual Fund Share Class Selection

When mutual funds are included as part of a client's portfolio, LFC's policy is to use the most suitable share class, which may be the lowest cost option. If the fund used is anything other than the lowest cost option, the IAR will maintain documentation to support the decision that another share class is more appropriate for the client's situation. The CCO performs an annual review to confirm LFC's clients are invested in the appropriate share class.

#### Electronic Confirmations/Account Statements:

Unless you advise LFC to the contrary, in writing, LFC will advise the custodian that the client elects to receive electronic trade confirmations and account statements.

### ***TRADING METHODS***

We consolidate all trades for our clients and send them to their respective custodian, where they execute the trades as block orders. Software allocates the trades to the clients once executed. LFC recommends highly liquid securities for client portfolios and does not actively trade; as such, it is a rare event that purchases for a client's portfolio are not executed in full on the same day. All equity orders are allocated on a pro-rata basis. No client, despite their cash needs or specific circumstance, may be deliberately allocated ahead of another.

### ***CLIENT-DIRECTED TRADING***

From time to time, clients direct LFC to place unsolicited trades for them in LFC managed accounts by specific verbal request per trade. Unsolicited trades are trades in securities that we did not recommend or research. On occasion, we provide this service for the convenience of our clients but do not recommend it or offer it as a routine part of our services.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### ***INVESTMENT POLICY STATEMENT(IPS)***

Our Portfolio Managers assist in establishing your Investment Policy Statement (IPS). The IPS outlines your investment goals and objectives and the portfolio strategies your LFC Portfolio Manager will employ in the management of your investment portfolio. Your Portfolio Manager will determine how your portfolio should be allocated based on factors including cash flow needs, liquidity, risk expectations, time horizon, and your portfolio needs and unique characteristics.

Each investment advisory account is normally reviewed and analyzed by our Senior Portfolio Managers on a quarterly or as needed basis. Your accounts are analyzed to determine if they are being managed according to your objectives. Investment selections are reviewed with your entire portfolio's objectives in mind. Portfolio performance, risk profile, potential tax effects, and cash flows are also analyzed. Typical events that may cause LFC to re-analyze your accounts more often than a quarterly basis include:

- Death of a spouse, parent, child, or another immediate family member;
- Marriage or divorce;
- Birth or adoption of a child;
- Disability;
- Purchase or sale of a business;
- Change in employment status; and/or
- Market dislocation or correction.

Accounts are reviewed within the context of “The Prudent Man Rule” and “The Prudent Investor Rule.” The Prudent Man Rule requires an advisor to act with caution, discretion, loyalty, and care when reviewing a financial plan. However, this Rule **does not** restrict the investment of assets. The Prudent Investor Rule applies this standard of responsibility to the entire portfolio rather than to just individual investments. It also identifies the central trade-off between risk and return in a portfolio.

All clients receive mailed or electronic statements directly from the custodians monthly or quarterly. Additionally, clients that are invested in private investments, not custodied at a qualified custodian, are provided an updated portfolio statement prepared by LFC on a quarterly basis. Information contained in the LFC prepared quarterly reports include account performance, holdings, and transactions for individual and consolidated accounts for each quarter and year-to-date. Portfolio information is also available on our website. Furthermore, LFC posts to client portal or sends by regular mail when requested the client’s quarterly invoice for management fees.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

We have numerous sources of client referrals including our existing client base, collaborative partners, business associates, other advisory firms, and friends and family members. We do not offer or accept any form of compensation for referrals of potential clients to our firm except, in certain circumstances, those that come from current employees or partners of LFC.

## ITEM 15 – CUSTODY

LFC does not maintain custody of client assets. Rather, each client appoints a qualified custodian to take possession of all client funds and securities. We do not accept cash or securities. We have procedures in place to direct our associated persons on handling the inadvertent receipt of any client funds or securities. Nevertheless, we are deemed to have custody when we are authorized, by the client, to directly debit our advisory fees from the client's custodian account. We are also deemed to have custody when a client establishes certain types of letters of instruction or other asset transfer authorization arrangement with their qualified custodian, authorizing us to disburse funds to one or more third parties specifically designated by the client.

We use the following custodians:

- Schwab;
- Fidelity;
- National Advisors Trust Company (NATC);
- Matrix Trust;
- Great West Trust; and
- First National Bank

Clients who own a limited partnership interest in one of LFC's private funds or another private investment may hold the investment at another custodian/broker, subject to that custodian's policies and procedures; however, LFC does not have discretion or investment authority over these accounts. Additionally, limited partnership interest not held in a retirement account may be held directly and outside of a custodian.

You may have an account with one or more of these (or other) custodians. Your custodian(s) will send you a quarterly statement. If invested in non-registered assets, LFC will send you statements on a quarterly basis.

We urge our clients to review and compare account statements received from their independent qualified custodians to those provided by LFC for accuracy. The comparison of non-registered assets listed on the statements will depend on the independent qualified custodian's determination of whether they can hold those assets and if the asset has been purchased through the custodian. Non-registered assets include partnerships such as real estate, private equity, or hedge funds and would include, but is not limited to those where LFC serves as the General Partner. Non-registered entities where LFC serves as the General Partner will provide audited financial statements each year. Custodians typically charge additional fees for non-registered assets.

### ***NATIONAL ADVISORS TRUST COMPANY (NATC) /CONFLICT OF INTEREST***

LFC is a shareholder of National Advisor Holdings, Inc. (NAH), a Delaware corporation organized in August 1999. LFC holds less than 1.0% in the aggregate of the outstanding stock of NAH. NAH has chartered an institution through the Office of Thrift Supervision known as National Advisors Trust Company (NATC). NATC provides custody, banking, and trust services to clients of registered



investment advisory firms, such as LFC, across the United States.

Because LFC has an interest in NAH, and therefore indirectly has an interest in NATC, a small amount of the fees earned by NATC may accrue to the benefit of shareholders and thus create a conflict of interest. The LFC ownership percentage is not a material amount to LFC or NATC. Both LFC and NATC entities are completely independent operationally from each other. LFC recommends NATC to certain clients for custody and trustee services when LFC determines NATC's services are appropriate for those clients.

Our clients make their own determination to use custodial or trust services provided by NATC and can choose to use another custodian and still retain LFC to provide investment advice.

LFC engages in practices and/or services on behalf of its clients (*see prior disclosure regarding Trustee Services and serving as the General Partner of various affiliated private investment funds*) that require disclosure in the Custody section of Part 1A of Form ADV (*found online*). Practices and/or services are subject to an annual surprise custody examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940, and/or an annual certified financial audit by a PCAOB certified public accountant.

## ITEM 16 – INVESTMENT DISCRETION

Trading discretion means that LFC will place trades on your behalf in your accounts at will and without additional permission granted by you. You give LFC discretionary authority to trade securities on your behalf by signing an investment advisory agreement. You have the ability to place restrictions on your accounts to limit this authority by restricting particular securities, types of securities by industry, or whole asset classes (e.g., ABC stock, energy stocks, all stocks). All restrictions of securities must be submitted in writing to LFC.

Discretionary authority includes, but is not limited to:

- Which securities are traded (bought or sold);
- The amount of securities purchased or sold;
- Which broker-dealer is utilized if executed outside of custodian platform; and/or
- What commission rates are paid (if negotiable).

**Please Note: LFC will not take discretionary authority or exercise control over any private investment transactions, such as purchase or sale of partnership interests. Investments made in private assets are done only by direct and written client approval on each investment.**

## ITEM 17 – VOTING CLIENT SECURITIES

Unless a client designates otherwise, LFC shall vote proxies for client securities consistent with LFC's proxy voting policies. LFC frequently assists clients in completing applicable forms and compiling the necessary documentation to grant the custodian authority to send proxy materials directly to LFC. These instructions are generally incorporated into the custodian's account application, which is completed by the client when a new account is opened.

Unless contractually obligated to vote in a certain manner, LFC will reach its voting decisions independently. Our policy is to always vote proxies in the best interest of our clients. Absent mitigating circumstances and/or conflicts of interest, it is LFC's general policy to vote in favor of routine corporate proposals such as the election of directors and selection of auditors. Non-routine corporate proposals may include matters involving corporate governance and capital structures, adoption and/or amendments to incentive and compensation plans, social issues and/or corporate responsibility, and merger and acquisition (M&A) transactions. LFC reviews board recommendations and may gather additional information from news services and SEC filings to make as informed a voting decision as possible.

### ***CONFLICTS OF INTEREST***

Conflicts of interest may arise when a proxy represents a public company for which LFC manages the company's pension plan or employee benefit plan. In addition, it will be considered a conflict of interest if an LFC employee is a close relative of or has a personal or business relationship with an executive or director of a company, a candidate to be an executive or director of a company or a participant in a proxy contest vote. When a conflict occurs, LFC will notify the client and make the decision to either have other designated persons at LFC vote the proxy or forward the proxy to the client directly for them to vote it.

### ***PROXY VOTING RECORDS AND REQUESTS FOR PROXY VOTING INFORMATION***

LFC uses a third-party proxy voting service, Broadridge ProxyEdge, to electronically vote client proxies when available. LFC maintains:

- Documentation of proxy voting records and any material used in making proxy voting decisions;
- Client requests for information as to how we voted a particular proxy, and a copy of the response from LFC to any requests for information; and
- Proxy voting policies and procedures.

A copy of our proxy voting procedures, proxy voting records and any supplemental documentation material, if applicable, is available to clients upon request to our CCO.

## **ITEM 18 – FINANCIAL INFORMATION**

We do not have any financial conditions limiting our ability to serve you throughout our relationship.