

# Linda A. Barlow, CFP

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## Form ADV, Part 2A Brochure

March 20, 2023

This brochure provides information about the qualifications and business practices of Linda A. Barlow, CFP®. If you have any questions about the contents of this brochure, please contact us at 714-953-1232. 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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Linda A. Barlow, CFP® or any person associated with Linda A. Barlow, CFP® has achieved a certain level of skill or training.

Additional information about Linda A. Barlow, CFP® is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - MATERIAL CHANGES

**Revised March 20, 2023**

The purpose of this page is to inform you of material changes since the last annual update to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Linda A. Barlow, CFP® (“LAB”) reviews and updates the brochure at least annually to confirm that it remains current. We have not made material changes since the annual update to our brochure dated March 22, 2022.

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at 714-953-1232 or by email at [wealthmanagers@earthlink.net](mailto:wealthmanagers@earthlink.net).

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Linda A. Barlow, CFP® ("LAB," "we," "our," or "us") is a sole proprietor. Her principal office is located in Santa Ana, California. Linda A. Barlow founded the firm in 1987 and the firm registered as an investment adviser with the State of California. In 2001, the firm registered as an investment adviser with the U.S. Securities and Exchange Commission.

Linda A. Barlow, CFP®'s experience with both investment supervisory and financial planning services spans more than 25 years. Born in 1944, she earned her Bachelor of Science in Accounting from LaSalle University in 1976. In 1985, she earned a Masters of Science in Financial Planning from Southern States University. Linda holds the CFP® certification\* which she obtained in 1989. She specializes in investment, financial planning and consulting services. Linda's only business is providing investment advice through LAB. Linda supervises all LAB employees. Her only compensation comes from her regular salary and ownership of LAB.

\*The CERTIFIED FINANCIAL PLANNER™ and CFP® (collectively, the "CFP® marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP® Board"). The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. The CFP® is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients.

To earn the credential, each CFP® candidate must have a bachelor's degree (or higher) from an accredited college or university and three years of full-time personal financial planning experience. In addition, candidates must take the CFP® Certification examination and complete a CFP® -board registered program or hold an accepted designation, degree or license. Every two years, CFP® certificate holders must complete a minimum of 30 hours of continuing education. More information regarding the CFP® is available at <http://www.cfp.net/default.asp>.

### Advisory Services Offered

LAB offers several types of advisory services including financial planning, custom designed modular planning, consultation, and investment supervisory services.

#### Financial Planning Services

LAB offers a range of financial planning services, from comprehensive planning to custom planning focused on specific areas requested by the client.

Part of the financial planning process includes collecting information from the client about the client's financial situation and needs, including: net worth, income, expenses, taxes, investments, retirement plans, life insurance, disability insurance, health insurance, long term care insurance, business agreements, divorce papers, pre-nuptial agreements, estate documents, and any other documents that

pertain to their overall financial picture. In addition, LAB asks the client about their future goals and objectives. LAB then develops a personalized plan including specific recommendations in all applicable areas. Typically, LAB will develop the plan with the client over several in-person meetings.

LAB may also work with the client to provide advice regarding a particular aspect of the client's financial situation. Areas of focus might include:

- Retirement planning
- Review of current investment portfolio to determine yield, total return and risk characteristics
- Retirement projection
- Income tax analysis
- Review options for pension plan payouts, if any
- Estate planning review
- Analysis of remaining life insurance policies
- Presentation of specific recommendations which seek to:
  - Adjust investments to provide after-tax total return needed by client to preserve assets over lifetime (if possible) while providing needed income at lowest possible risk
  - Exercise most beneficial pension plan options
  - Adjust estate plan to provide for lifetime protection as well as post-death benefits
  - Hold onto, replace or eliminate life insurance coverage
- Investment advice and/or portfolio redesign
- Cash management planning
- Tax planning
- Life and disability insurance analysis
- Estate planning
- Education planning
- Other, as determined between LAB and the client

Our financial planning services do not include preparation of any kind of income tax, gift or estate tax returns or preparation of any legal documents, including wills or trusts.

We describe fees charged for financial planning services below under ***Item 5 - Fees and Compensation.***

### **Modular Financial Planning Services**

Custom-designed modular financial planning services consist of performing the financial planning services described above but limited to only those areas of the client's financial situation specified by each client. Each client and LAB will agree in advance on the scope of the areas that LAB will include in the plan as well as the extent and nature of the service LAB will provide.

We describe fees charged for financial planning services below under ***Item 5 - Fees and Compensation.***

### Consulting Services

LAB offers consultation services to clients who need advice on a specific aspect of their financial situation. LAB also offers consultation services to those clients who manage their own portfolios but seek advice regarding that portfolio from time to time.

We describe fees charged for financial planning services below under ***Item 5 - Fees and Compensation***.

### Investment Supervisory Services

Investment supervisory services include the design, implementation, and continued monitoring of an investment portfolio consisting of agreed upon assets. LAB considers the client's financial objectives and constraints, time horizon, risk tolerance, and prevailing economic conditions when determining the asset allocation. LAB normally restricts advice to liquid assets that have published and/or easily obtained performance data. LAB structures each account individually and will take into consideration each client's investment needs and risk tolerances. LAB analyzes economic factors such as the supply of money, various interest rates, and commodity prices to help forecast the future economic environment. This then guides LAB's asset allocation decision and the selection of investments suitable for particular investment portfolios.

Investment supervisory clients may utilize the financial planning services, modular planning, and consultation services on assets other than those in the account managed by LAB at no additional fee. There is no minimum dollar value of assets for starting or maintaining an account. Both in-person and meetings via telephone are included in the service.

We describe the Fees charged for investment management services below under ***Item 5 - Fees and Compensation***.

LAB may offer investment advice on any investment held by the client at the start of the advisory relationship. Recommendations for new investments will typically include:

- Fixed income securities, including corporate and government bonds, commercial paper, and certificates of deposit (CDs)
- Mutual funds and exchange traded funds (ETFs)
- Money market funds and cash
- Insurance products, including variable life insurance
- Variable annuities
- Other investments

However, LAB may occasionally offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry.

### Retirement Account Advice

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Securities Act (“ERISA”) and/or the Internal Revenue Code (“IRC”), as applicable, which are laws governing retirement accounts. The receipt of our advisory fee for making a recommendation creates a conflict of interest under ERISA/IRC with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. For example, if we recommend that you rollover assets from one retirement account to another and we will receive increased compensation as a result of that recommendation, we have a conflict that requires us to operate under this special rule.

### Limitations on Investments

In some circumstances, LAB’s advice may be limited to certain types of securities.

#### *Limitation by Plan Sponsor/Employer*

In the event LAB is managing assets within a retirement plan such as 403(b) and tax-sheltered annuity (‘TSA’) or other employer plan, LAB is limited to those investment providers and investment options chosen by the plan administrator. In some circumstances, LAB’s advice may be limited to certain types of securities. For example, when we provide services to participants in a self-directed 401(k) plan, the participant may be limited to investing in securities included in the plan’s investment options. In that case, LAB can only make recommendations to the client from among the available options, and will not recommend or invest the client’s account in other securities, even if there may be better options elsewhere.

#### *Limitation by Issuer*

In the event LAB is managing assets within an annuity, LAB is limited to those investment options chosen by the insurance agency.

#### *Mutual Fund Limitations*

There may also be limitations on the mutual funds in which LAB may invest clients’ accounts. For clients with accounts held at certain custodians, LAB is limited to the mutual funds available through the custodian. Similarly, for clients with accounts invested in variable annuity contracts, LAB may only invest in the sub-accounts permitted by the issuer of the variable annuity contract.

#### *No Load Mutual Funds*

LAB generally limits recommendations of mutual funds to no load funds or equivalent investment products.

#### *Limitation by Client*

LAB’s advice may also be limited by certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.



### Non-managed Assets

With respect to investment management services, LAB will only be responsible for the supervision and management of securities we recommend. We will not be responsible for the supervision or management of non-managed assets. Non-managed assets may include securities held in a client's account that is under management with LAB that were:

1. Delivered into the account by the client;
2. Purchased by the client;
3. Purchased by LAB at the request of the client as an accommodation; or
4. Designated by the client to be non-managed securities.

### **Tailored Services and Client Imposed Restrictions**

LAB manages client accounts on an individual basis based on each client's individual circumstances and financial situation, as discussed below under ***Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss***. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations may be limited if the client does not provide us with accurate and complete information. It is the client's responsibility to keep LAB informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want LAB to buy or sell certain specific securities or security types in the account. LAB reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

### **Wrap Fee Programs**

LAB does not manage accounts as part of a wrap or bundled fee program.

### **Assets Under Management**

LAB manages client assets on a continuous and regular basis. As of 12/31/2022, the total amount of assets under our management was:

Discretionary Assets	\$ 224,998,592
<u>Non-Discretionary Assets</u>	\$
Total Assets	\$ 224,998,592

## ITEM 5 - FEES AND COMPENSATION

### Fee Schedule & Billing Method

#### Financial Planning Services

LAB offers financial planning services on a fixed fee basis ranging from \$1,000 to \$2,500. The total fixed fee is dependent upon the level of complexity and scope of service. Fees are negotiable depending on the nature and complexity of each client's circumstances. An estimate for total hours will be determined at the start of the relationship. Each client will enter into a written agreement, which will outline the costs associated with the service. One-half (½) of the fee is due at the time of the first data-gathering appointment and the balance is due when the plan is delivered to the client. The agreement will terminate upon delivery of the services.

#### Modular Financial Planning Services

LAB has a minimum fee of \$500 for modular financial planning services, see above description. The total fixed fee is dependent upon the level of complexity and scope of service. Each client will enter into a written agreement, which will outline the costs associated with the service. One-half (½) of the fee is due at the time of the first data-gathering appointment and the balance is due when the plan is delivered to the client. The agreement will terminate upon delivery of the services.

#### Consulting Services

LAB offers consulting services on an hourly basis ranging from \$100 to \$250 per hour. The hourly rate is dependent upon the complexity of the consultation. Each client will enter into a written agreement, which will outline an estimate of the time and scope of work included in the service. Fees are due upon the delivery of the advice. The agreement will terminate upon delivery of the services.

#### Investment Supervisory Services

LAB offers investment supervisory services based on a percentage of the client's total assets under management, per the following schedule:

<u>Value Under Management</u>	<u>Annual Fee</u>	<u>Quarterly Fee</u>
\$0 - \$99,999	2.00%	.50%
\$100,000 and up	1.00%	.25%

Once the portfolio reaches a breakpoint, LAB bills all assets under management in the portfolio at the lower rate. At the discretion of LAB, we will aggregate client accounts that have family or business relationships for purposes of calculating the advisory fees applicable to each client. In addition, we may offer investment advisory services on a pro-bono basis. LAB may waive fees for employees and their family members or offer our services at a reduced rate. Our fees are negotiable.

LAB's advisory fees are payable quarterly in arrears based on the account market value on the last day of the calendar quarter. The first payment is due after the first full quarter under management. The

formula used for the calculation is as follows: *(Quarterly Fee) x (Total Assets Under Management at Quarter-End)*.

For advisory fee calculation purposes, a calendar quarter is a period beginning on January 1, April 1, July 1, or October 1 and ending on the day before the next quarter. A day is any calendar day including weekends and holidays. For new accounts, we will bill clients after the first full quarter under management. If a client terminates their agreement, we will bill for the number of days in the current quarter that we have managed the account(s).

It is up to the client whether they wish to have the investment supervisory fees withdrawn directly from their custodian account or pay by check. With client authorization, LAB will automatically withdraw the advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on LAB's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee for those clients who authorize the advisory fees to be withdrawn directly from their custodian account. LAB will send a fee statement to each client who authorizes LAB to withdrawal fees directly from the custodian. The fee statement will include the fee calculation and the fee amount debited. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

LAB will send an invoice to all clients who choose to not have advisory fees withdrawn directly from their custodian account. The invoice is payable upon receipt and will include the fee calculation and amount due.

## **Other Fees and Expenses**

LAB's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the account, which are in addition to the fees client pays to LAB. See **Item 12 - Brokerage Practices** below for more information.

In addition, any mutual fund shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. LAB makes efforts to use funds that do not have deferred sales charges. The fund's prospectus fully describes the fees and expenses. All fees paid to LAB for investment supervisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers and such fees are therefore indirectly charged to all holders of the mutual fund shares. Consequently, clients with mutual funds in their portfolios are effectively paying both LAB and the mutual fund manager for the management of their assets.

## **Termination**

Either party may terminate their investment supervisory service agreement at any time by providing written notice to the other party. The client may terminate the agreement at anytime by writing LAB at

our office. LAB will bill for the number of days remaining in the quarter from the date we receive the termination notification.

Financial planning and modular financial planning clients may obtain a full refund if the client is not fully satisfied with the services rendered. Clients can make a request for a refund for services up to ninety-(90) days after receiving services and the request must be in writing.

The planning phase of LAB's financial planning and modular financial planning services is complete and the agreement will terminate upon delivery of a satisfactory plan. In the event that either the client or LAB wishes to terminate the planning agreement before completion of the plan, either party may terminate the agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing us at our office. Upon notice of termination, if a client paid fees in advance LAB will refund those fees.

### **Other Compensation**

LAB does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

LAB does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **ITEM 7 - TYPES OF CLIENTS**

LAB offers discretionary investment supervisory and financial planning services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer advisory services to pension and profit sharing plans, charitable organizations, and businesses.

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

### **Methods of Analysis and Investment Strategies**

#### **General Investment Strategies**

LAB's general investment strategy is to seek real capital growth proportionate with the level of risk the client is willing to take. LAB treats each client account uniquely. LAB assists clients to develop a risk assessment. This assessment typically outlines the client's investment objectives, time horizon, risk tolerance, tax considerations, ranges of allocation and any special considerations and/or restrictions the client chooses to place on the management of the account. LAB will then make recommendations that are consistent with the client's objectives. LAB selects suitable categories of investments based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. Within each investment category, LAB selects individual

securities with characteristics that are most consistent with the client's objectives. We deal with any client restrictions on an account-by-account basis.

Since LAB treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals may own different securities. Timing and tax factors also influence LAB's investment decisions. Clients who buy or sell securities on the same day may receive different prices.

### *Fundamental Analysis*

LAB may use a buy and hold investment strategy, utilizing fundamental analysis to make individual security selections.

### *Long-Term Holdings*

LAB's approach consists of purchasing, holding and rebalancing a diversified portfolio of no load mutual funds and bonds. LAB typically intends to hold these investments for over a year except when sales are necessary to rebalance the portfolio or to fund replacement acquisitions.

LAB does not attempt to time the market nor do we attempt to capture short-term gains. Short term buying and selling of securities is limited to those cases where a purchase has resulted in an unanticipated gain or loss in which we believe that a subsequent sale is in the best interest of the client.

## **General Risk of Loss Statement**

Prior to entering into an agreement with LAB, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at anytime be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are currently unneeded and available to LAB for investment on a long-term basis. This is typically a minimum of five to seven years.

## **Specific Security Risks**

LAB typically recommends mutual funds, exchange traded funds (ETFs), fixed income securities including corporate and government bonds, commercial paper, and certificates of deposit (CDs). Occasionally, LAB will recommend variable annuities and insurance products such as variable life insurance. At the request of a client, LAB will purchase or sell equity securities.

### *General Risks of Owning Securities*

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global

political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

The prices of, and the income generated by, most debt securities held by a client's account may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in the client's account generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in LAB having to reinvest the proceeds in lower yielding securities. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. The guarantee of a security backed by the U.S. Treasury or the full faith and credit of the U.S. government only covers the timely payment of interest and principal when held to maturity. This means that the current market values for these securities will fluctuate with changes in interest rates.

Investments in securities issued by entities based outside the United States may be subject to increased levels of the risks described above. Currency fluctuations and controls, different accounting, auditing, financial reporting, disclosure, regulatory and legal standards and practices could also affect investments in securities of foreign issuers. Additional factors may include expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions, or in receiving payment of dividends can increase risk. Finally, investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include:

#### Professionally Managed

Mutual funds are professionally managed by investment adviser who research, select, and monitor the performance of the securities the fund purchases.

### Diversification

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as “Don’t put all your eggs in one basket.” Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

### Affordability

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

### Liquidity

At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages:

### Costs Despite Negative Returns

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

### Lack of Control

Investors typically cannot ascertain the exact make-up of a fund’s portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

### Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock’s price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund’s NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### *Different Types of Funds*

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

### *Money Market Funds*

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why "inflation risk," the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

### *Bond Funds*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

#### *Credit Risk*

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

#### *Interest Rate Risk*

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

#### *Prepayment Risk*

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to "retire" its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### *Stock Funds*

Although a stock fund's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same. For example:



### Growth Funds

Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.

### Income Funds

Income funds invest in stocks that pay regular dividends.

### Index Funds

Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all—or perhaps a representative sample—of the companies included in an index.

### Sector Funds

Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks.

### *Tax Consequences of Mutual Funds*

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may have to pay taxes each year on *the fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit, and cannot use losses to offset these gains.

### Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market index. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector.

### Equity Securities

Clients should understand that equities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

### High-Yield Debt

Lower rated debt securities generally have higher rates of interest and involve greater risk of default or price changes due to changes in the issuer's creditworthiness than higher rated debt securities. The market prices of these securities may fluctuate more than higher quality securities and may decline significantly in periods of general economic difficulty.

There may be little trading in the secondary market for particular debt securities, which may make them more difficult to value or sell. The prices of, and the income generated by, most debt securities held by client accounts may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in client accounts generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call" or refinance a security before its stated maturity, which may result in the fund having to reinvest the proceeds in lower yielding securities. Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities.

The prices of, and the income generated by, the securities held by client accounts may decline in response to certain events taking place around the world. These events include those directly involving the issuers of securities owned by the fund, conditions affecting the general economy, and overall market changes. In addition, local, regional, or global political, social or economic instability, governmental or governmental agency responses to economic conditions, and currency, interest rate, and commodity price fluctuations can affect a security's price and income.

Investments in securities issued by entities based outside the United States may be subject to higher levels of the risks described above. Currency controls, different accounting, auditing, financial reporting, and disclosure requirements may also affect these investments. Additional factors include regulatory and legal standards and practices, expropriation, changes in tax policy, greater market volatility, and different securities market structures. Higher transaction costs and various administrative difficulties such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can cause additional risk. These risks may heighten in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

### *Obligations Backed by the "Full Faith And Credit" of the U.S. Government*

U.S. government obligations include the following types of securities:

#### U.S. Treasury Securities

U.S. Treasury securities include direct obligations of the U.S. Treasury, such as Treasury bills, notes, and bonds. For these securities, the U.S. government unconditionally guarantees the payment of principal and interest, resulting in the highest possible credit quality. Fluctuations in interest rates subject U.S. Treasury securities to variations in market value. However, they are paid in full when held to maturity.

### Federal Agency Securities

The securities of certain U.S. government agencies and government-sponsored entities are guaranteed as to the timely payment of principal and interest by the full faith and credit of the U.S. government. Such agencies and entities include The Federal Financing Bank (FFB), the Government National Mortgage Association (Ginnie Mae), the Veterans Administration (VA), the Federal Housing Administration (FHA), the Export-Import Bank (Exim Bank), the Overseas Private Investment Corporation (OPIC), the Commodity Credit Corporation (CCC) and the Small Business Administration (SBA).

### Other Federal Agency Obligations

Additional federal agency securities neither are direct obligations of, nor guaranteed by, the U.S. government. These obligations include securities issued by certain U.S. government agencies and government-sponsored entities. However, they generally involve some form of federal sponsorship: some operate under a government charter; specific types of collateral back some; the issuer's right to borrow from the Treasury supports some; and only the credit of the issuing government agency or entity supports others. These agencies and entities include, but are not limited to the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and the Tennessee Valley Authority and Federal Farm Credit Bank System.

On September 7, 2008, Freddie Mac and Fannie Mae were placed into conservatorship by their new regulator, the Federal Housing Finance Agency. Simultaneously, the U.S. Treasury made a commitment of indefinite duration to maintain the positive net worth of both firms.

### Municipal Bonds

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries risk unique to these types of bonds, which may include:

#### Legislative Risk

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

#### Tax-Bracket Changes

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

### Liquidity Risk

The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Municipal bonds may be less liquid than other bonds.

### Credit Risk

Credit risk includes the risk that a borrower will be unable to make interest or principal payments when they are due and therefore default. To reduce investor concern, insurance policies that guarantee repayment in the event of default back many municipal bonds.

### General Obligation vs. Revenue Bonds

Typically, investors consider General Obligation bonds to be safer than Revenue bonds since the full faith and credit of the issuer backs the interest and principal payments. With revenue bonds, the interest and principal are dependent upon the revenues paid by users of the facility or service. Frequently the issuers of revenue bonds are either private sector corporations (e.g. hospitals) or entities that exist, often in local monopoly form, to provide a public service (e.g. power utilities or public transportation authorities). Thus the thought is that the consumer spending that provides the funding or income stream for revenue bond issuers may be more vulnerable to changes in consumer tastes or a general economic downturn compared to a state or city's ability to raise taxes to pay for its General Obligation commitments.

### Municipal Bonds of a Particular State

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Because the fund invests in securities issued by California municipalities, the fund is more susceptible to factors adversely affecting issuers of California securities than a comparable municipal bond mutual fund that does not concentrate its investments in a single state. For example, in the past, California voters have passed amendments to the state's constitution and other measures that limit the taxing and spending authority of California governmental entities, and future voter initiatives may adversely affect California municipal bonds.

### Real Estate Investment Trusts

LAB may invest for client accounts in securities issued by real estate investment trusts (REITs), which primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development and/or long-term mortgage loans. Changes in the value of the underlying property of the trusts, the creditworthiness of the issuer, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment all can affect the values of REITs. Both types of REITs are dependent upon management skill, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or failing to maintain any applicable exemptive status afforded under relevant laws.

### Investing Outside the U.S.

LAB may also recommend mutual funds that have an international strategy. Investing outside the United States may involve risks. These risks may include currency controls and fluctuating currency values, and different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices. Additional factors may include changing local, regional, and global economic, political, and social conditions. Further, expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs can be contributors. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can also lead to additional risk.

### Cash and Cash Equivalents

The account may hold cash or invest in cash equivalents. Cash equivalents include:

1. Commercial paper (for example, short-term notes with maturities typically up to 12 months in length issued by corporations, governmental bodies or bank/corporation sponsored conduits (asset-backed commercial paper));
2. Short-term bank obligations (for example, certificates of deposit, bankers' acceptances (time drafts on a commercial bank where the bank accepts an irrevocable obligation to pay at maturity)) or bank notes;
3. Savings association and savings bank obligations (for example, bank notes and certificates of deposit issued by savings banks or savings associations);
4. Securities of the U.S. government, its agencies or instrumentalities that mature, or may be redeemed, in one year or less; and
5. Corporate bonds and notes that mature, or that may be redeemed, in one year or less.

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

## **Financial Planning**

The financial planning tools LAB uses to create financial plans for clients rely on various assumptions, such as estimates of inflation, risk, economic conditions, and rates of return on security asset classes. All return assumptions use asset class returns, not returns of actual investments, and do not include fees or expenses that clients would pay if they invested in specific products.

Financial planning software is only a tool used to help guide LAB and the client in developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Results will vary based on the information provided by the client regarding the client's assets, risk tolerance, and personal information. Changes to the program's underlying assumptions or differences in actual personal, economic, or market outcomes may result in materially different results for the client. Clients should carefully consider the assumptions and limitations of the financial planning software as

disclosed on the financial planning reports and should discuss the results of the plan with a qualified investment professional before making any changes in their investment or financial planning program.

We do not recommend individual securities to clients. However, we may make a general recommendation in the financial plan about investing a portion of your financial assets in securities. If the financial plan includes recommendations for investing in securities, you should understand that investing in securities involves risk of loss, and you should be prepared to bear that risk.

## **ITEM 9 - DISCIPLINARY INFORMATION**

LAB does not have any disciplinary information to disclose.

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

LAB does not offer any other services or have any affiliates in the financial industry.

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

### **Code of Ethics**

LAB believes that we owe clients the highest level of trust and fair dealing. Further, as part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. LAB's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

LAB's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. LAB's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable state and federal securities laws. All personnel receive a copy of each amendment of the Code of Ethics, which they acknowledge in writing. Additionally, LAB and all employees are subject to personal trading policies governed by the Code of Ethics. The personal trading policies are summarized below under *Personal Trading Practices*.

LAB will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### **Material Financial Interests**

The following items represent situations where a conflict of interest may exist between LAB's client and LAB (including LAB's employees).

#### **Cross Transactions**

At times, a client may need to sell a security that we think is a good fit for another client's account. In this case, we may internally cross the security from the account of the selling client to the buying client's account. We will only do this when the proposed transaction is in the best interests of both clients. We

do not “dump” a security into a client’s portfolio just because another client needs to sell, nor do we decide to sell a security from one client’s account just because another client needs a similar security. Usually, this situation comes up with fixed income securities where we can get a better deal for both clients by crossing the security instead of going into the open market to complete separate transactions.

The price for a cross transaction will be determined by an independent broker-dealer, and is usually the mid-point between the best bid and offer prices available for the size of the transaction. We will also take into account any additional fees charged to cross the security to ensure that the transaction is still appropriate for both clients.

LAB does not act as broker for any cross transactions effected for clients, and will never receive any commissions or other compensation for these trades (other than our normal advisory fees for managing the accounts).

### *Personal Trading Practices*

LAB and our employees may purchase or sell, for themselves, securities also held in a client’s account.

- LAB and our employees may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for the client account.
- The client receives the opportunity to act on investment recommendations prior to and in preference to accounts of LAB and our employees.
- LAB prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
- If we wish to purchase or sell the same security as we recommend or take action to purchase or sell for a client, we will not do so until the custodian fills client orders.

## **ITEM 12 - BROKERAGE PRACTICES**

### **The Custodians and Brokers We Use**

Clients must maintain assets in an account at a “qualified custodian,” generally a broker-dealer or bank. We recommend that a client in need of brokerage and custodial services use either Charles Schwab & Co., Inc. (“Schwab”) or TD Ameritrade, Inc. (“Ameritrade”). Both Schwab and Ameritrade are registered broker-dealers, members FINRA/SIPC, and qualified custodians. We are independently owned and operated, and unaffiliated with Ameritrade and Schwab. Ameritrade or Schwab will hold client assets in a brokerage account, and buy and sell securities when we instruct them to.

While we recommend that clients use either Ameritrade or Schwab as a custodian/broker, it is up to the client to decide whether to do so. Each client will open an account directly with the custodian/broker of their choice by entering into an account agreement directly with the custodian/broker. We do not open the account for any clients, although we may assist clients in doing so. Even though the client will

maintain accounts a specific custodian/broker, we can still use other brokers to execute trades for your account as described below (see ***Your Brokerage and Custody Costs***, below).

### *How We Select Brokers/Custodians*

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

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

### *Your Brokerage and Custody Costs*

For our clients' accounts that either Ameritrade or Schwab maintains, Ameritrade and Schwab generally does not charge you separately for custody services. However, Ameritrade and Schwab receives compensation by charging you commissions or other fees on trades that it executes or that settle into your Ameritrade or Schwab account. In addition to commissions, Ameritrade and Schwab charges you a flat dollar amount as a "prime broker" or "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 your Ameritrade or Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we execute most trades for your account with the broker-dealer that your assets are held with. We have determined that this 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 from Ameritrade and Schwab*

Ameritrade and Schwab are in the business of serving independent investment advisory firms like us. They provide LAB and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Ameritrade and Schwab retail



customers. Ameritrade or Schwab also make available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Ameritrade or Schwab's 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 Ameritrade and Schwab's support services:

### *Services That Benefit You*

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

### *Services That May Not Directly Benefit You*

Ameritrade and Schwab make available products and services that assist LAB in managing and administering clients' accounts include software and other technology that:

1. Provide access to client account data (such as trade confirmations and account statements);
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
3. Provide research, pricing and other market data;
4. Facilitate payment of LAB's fees from our clients' accounts; and
5. Assist with back-office functions, recordkeeping and client reporting.

### *Services That Generally Benefit Only Us*

Ameritrade and Schwab also offer other services intended to help LAB manage and further develop our business enterprise. These services may include:

1. Educational conferences and events;
2. Compliance, legal and business consulting;
3. Publications and conferences on practice management and business succession; and
4. Access to employee benefits providers, human capital consultants and insurance providers.

Ameritrade and Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Ameritrade and Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. As a result of the professional relationship that LAB has with Ameritrade and Schwab, LAB is offered discounts for services provided by Morningstar.

As part of our fiduciary duty to clients, LAB endeavors at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by LAB or our related persons in and of itself creates a potential conflict of interest and may indirectly influence LAB's recommendation of Ameritrade or Schwab for custody and brokerage services.

### Brokerage for Client Referrals

LAB does not receive client referrals from any custodian nor broker-dealer.

### Directed Brokerage

LAB is prepared to work with any broker-dealer that the client chooses. Clients who direct LAB to use a particular broker-dealer for all trading may pay higher commission charges. Under these circumstances, LAB may not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. Clients should further understand that when they direct LAB to use a specific broker disparity in transaction charges might exist between the transaction costs charged to other clients. The above disclosure outlines the brokers and custodians that LAB recommends.

### **Aggregation and Allocation of Transactions**

Transactions for each client will be affected independently and will not be aggregated. While aggregating trades may benefit clients by purchasing or selling in larger blocks, we do not feel that clients are at a disadvantage due to the best execution practices of our custodian.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Managed Account Reviews**

LAB will manage portfolios for those clients who engage LAB for investment supervisory services on a continuous basis. LAB will generally review all positions in those portfolios at least quarterly. We offer account reviews to clients on an annual basis. Clients may choose to receive reviews in person, by telephone, or in writing. Linda A. Barlow conducts all reviews based on a variety of factors. These factors may include but are not limited to investment objectives, economic environment, outlook for the securities markets, and the merits of the securities in the accounts.

In addition, we may conduct a special review of an account based one or more of the following:

1. A change in the client's objectives, guidelines and/or financial situation
2. Changes in diversification
3. Tax considerations
4. Material cash deposits or withdrawals

### **Financial Plan Reviews**

Linda A. Barlow, Owner, is solely responsible for creating and reviewing clients' financial plans including custom-designed modular financial plans. Linda A. Barlow will work with clients on an ongoing basis to review the plan as needed or as requested by the client.

Clients who request LAB to review their plan will need to provide LAB with updated information. LAB will mail clients the last Net Worth and Cash Flow statements on file. Clients should update this information prior to the appointment with LAB. LAB will conduct analysis to determine if the goals are still appropriate and progress toward those goals is continuing.

## Account Reporting

Typically, LAB will provide Investment Supervisory clients with a report during each client meeting, and more frequently if requested. The report typically includes account positions, the number of shares, the value per share, the total of that asset, the total market value of the entire account, the asset allocation of the portfolio, and the return on investment for the most recent year.

In addition, each Investment Supervisory client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period.

## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

### Ameritrade and Schwab Support Products and Services

We receive economic benefits from Ameritrade and Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Ameritrade and Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of Ameritrade and Schwab's products and services to us.

### Professional Referrals

LAB may refer clients to unaffiliated professionals for specific needs, such as estate and insurance planning. In turn, these professionals may refer clients to LAB for financial planning or investment supervisory services. LAB does not have any agreements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals. However, someone might conclude that LAB is receiving an indirect economic benefit from the arrangement, as the relationships are mutually beneficial. For example, there could be an incentive for us to recommend services of firms who refer clients to LAB.

LAB only refers clients to professionals that LAB believes to be competent and qualified in their field. Clients have a responsibility to do their own review of the provider. We will generally provide clients with a list of professionals that the client can contact, and it is solely the client's decision whether to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and LAB has no control over the services provided by another firm. Clients who chose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by LAB.

If the client desires, LAB will work with these professionals or the client's other advisers (such as an accountant, attorney, or other investment adviser) to help ensure that the provider understands the client's financial plan or the investment portfolio and to coordinate services for the client. LAB will never share information with an unaffiliated professional unless first authorized by the client.

## ITEM 15 - CUSTODY

LAB has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients' accounts. Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of LAB'S fee. Clients should carefully review the account statements they receive from their qualified custodian. When clients receive statements from LAB as well as from the qualified custodian, clients should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from their qualified custodian at least quarterly should also notify us.

## ITEM 16 - INVESTMENT DISCRETION

LAB has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for clients who have an investment supervisory agreement in place. LAB will not contact investment supervisory clients before placing trades in their account, but clients will receive confirmations directly from the broker for any trades placed. Investment supervisory clients grant us discretionary authority in the contracts they sign with us and give us trading authority over their accounts when they sign the custodian paperwork.

However, certain client-imposed conditions may limit LAB's discretionary authority, such as where the client prohibits transactions in specific security types or directs transactions through specific broker-dealers. See also ***Item 4 - Tailored Services and Client Imposed Restrictions*** and ***Item – 12 Brokerage Practices***, above.

## ITEM 17 - VOTING CLIENT SECURITIES

### Proxy Voting

LAB does not accept or have the authority to vote client securities. LAB will not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

### Mutual Funds

The investment adviser that manages the assets of a registered investment company (i.e., mutual fund) generally votes proxies issued on securities held by the mutual fund.

### Class Actions

LAB does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us

that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. LAB does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.