

# **Ledge Wealth Management, Inc.**

*(doing business as)*

## **Ledge Wealth**

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**March 22, 2023**

### **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Ledge Wealth Management, Inc. If you have any questions about the contents of this brochure, contact us at 320-281-3203. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Ledge Wealth Management, Inc. is a registered investment adviser. Registration of an investment adviser does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information to help you determine whether to hire or retain an adviser.

Additional information about Ledge Wealth Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Summary of Material Changes**

Since our last annual updating amendment dated March 28, 2022, the following material changes have been incorporated into the brochure:

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

LWM updated this section to add foreign securities risk and remove commodities risk.

### Item 14- Client Referrals and Other Compensation

LWM updated this item to include certain employees may receive additional cash compensation in exchange for their role in obtaining new clients.

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## **Item 4 Advisory Business**

### **Firm Description**

Ledge Wealth Management, Inc. ("LWM"), doing business as Ledge Wealth, is a registered investment adviser based in Sartell, Minnesota. We are organized as a corporation under the laws of the State of Minnesota. We have been providing investment advisory services since 2012. Kurt S. Durrwachter and Gina K. Bartell are the principal owners of our firm with Sam Ronlund becoming a minority owner in 2019.

The following paragraphs describe our services and fees. Please refer to the description of each wealth management service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Ledge Wealth Management, Inc. and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Currently, we offer the following wealth management services, which are personalized to each individual client:

- Investment Management Services
- Financial Planning & Consulting Services
- Investment Fiduciary Retirement Plan Consulting Services

### **Investment Management Services**

LWM offers discretionary and non-discretionary investment management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for investment management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information at the beginning of our advisory relationship. We will use the information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. Once we construct an investment portfolio for you we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and the appropriate trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

### **Financial Planning & Consulting Services**

LWM offers financial planning and consulting services that typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. These services can range from broad financial planning to consultative or single subject planning. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we review and analyze the information you provide to our firm, we may deliver

a written plan to you designed to help you achieve your stated financial goals and objectives.

Financial planning and consulting services are based on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change. You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services.

### **Investment Fiduciary & Retirement Plan Consulting Services**

We offer retirement plan investment advisory services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary (Client). These services may include, but are not limited to, one or more of the following services:

- Preparation of Investment Policy Statement
- Non-Discretionary Plan-Level Investment Advice
- Non-Discretionary Participant Investment Advice
- Performance Monitoring
- Investment Reports
- Education Services to Plan Committee
- Participant Education
- Fee Benchmarking
- Vendor Search

We may also provide additional types of consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services), shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.

In providing services to the Plan, our status is that of a registered investment adviser. Our firm is not subject to any disqualifications under Section 411 of ERISA. Depending on the negotiated services to be performed under the Retirement Plan Investment Advisory Agreement, and to the extent we are performing fiduciary services, we are acting as a fiduciary of the plan as defined in Section 3(21) under ERISA.

### **Types of Investments**

We primarily offer advice on mutual funds, exchange traded funds (ETFs), individual stocks and bonds. However, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives including, other alternative investments. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship, including non-managed assets. Moreover, you may request in writing that we refrain from investing in particular securities or certain types of securities.

### **Client Assets under Management and Advisement**

As of December 31, 2022, we provide continuous management services for \$350,927,270 in client assets, all on a discretionary basis. In addition, LWM has \$186,883,228 of assets under advisement as of December 31, 2022.

## Item 5 Fees and Compensation

### Investment Management Services

LWM offers discretionary and non-discretionary investment management services to advisory clients. LWM charges a percentage based on the total assets under management as set forth in the blended tiered fee schedule below:

<b>Assets Under Management**</b>	<b>Annual Fee</b>	<b>Quarterly Fee</b>
Up to \$2,000,000	1.00%	0.25%
Next \$2,000,000	0.75%	0.19%
Next \$6,000,000	0.50%	0.13%
Over \$10,000,000	0.30%	0.075%
Over \$20,000,000	0.15%	0.0375%

\*LWM requires a minimum of \$750,000 to establish an investment management account. LWM reserves the right to make exceptions to its minimum on a case- by- case basis. LWM may negotiate fees based on account size and other factors deemed important to LWM. Legacy clients or clients having prior engagements with an investment adviser representative of our firm may operate under a different fee schedule depending upon the prevailing fee schedule at the time they became a client.

\*\*The billing structure is based on a blended tiered fee schedule with the first fee break beginning at 1.00% for assets up to \$2,000,000. For example, if a client has \$5,000,000 under management, fees are billed as follows: the first \$2,000,000 at 1.00%, the next \$2,000,000 at 0.75%, and the last \$1,000,000 at 0.50%. Adjustments are made to fees for capital contributions and/or withdrawals made during the quarter. The annual fee may be negotiable depending on individual client circumstances. Accounts within the same household may be combined for a reduced fee. Fees are billed quarterly in arrears based on the amount of assets managed as of the last business day of the quarter. Initial fees for partial quarters are prorated.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. If we do not directly debit our fee from your account, an invoice will be sent to you. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account, and you should review all statements for accuracy. If you have any questions about the statement(s) you receive from the qualified custodian call our main office number located on the cover page of this Disclosure Brochure.

You may terminate your account within five (5) business days of signing the Investment Advisory Agreement with no obligation or penalty. Thereafter, you may terminate the investment management agreement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the investment management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. Client shall be given thirty (30) days prior written notice of any increase in fees, and client will acknowledge, in writing, any agreement of increase in said fees. Lower fees for comparable services may be available from other sources.

We encourage you to reconcile our fee statements (summary of your bill) with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our fee statement and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this brochure.

### **Financial Planning & Consulting Services**

LWM offers financial planning & consulting services on either a fixed fee or hourly fee basis. Our fixed fees generally range from \$600 to \$12,000 depending upon the complexity and scope of the plan, your financial situation, and your objectives. Our fixed fee planning services are in effect for a period of one year from the date of engagement, and LWM will send you an invoice for four equal installment payments payable quarterly in arrears. If you engage us for hourly financial planning & consulting services, we charge an hourly fee of \$200 subject to negotiation. Our hourly fee is due upon services rendered. In limited circumstances and in our sole discretion, we reserve the right to negotiate other fee-paying arrangements with you.

You may cancel the services for you which you retained our firm within five (5) business days of signing the advisory agreement for a full refund. After the five-day period, you may cancel the agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

At our discretion, we may offset our financial planning & consulting fees to the extent you implement the financial plan through our Investment Management Service.

### **Investment Fiduciary & Retirement Plan Consulting Services**

Our annual fee for investment fiduciary & retirement plan consulting services is calculated as a flat fee amount, an asset-based fee based on a percentage of the Plan's assets, or a project-based fee. The fee arrangement and payment terms will be negotiated with the plan sponsor or named fiduciary (Client or Plan) on a case-by-case basis. Clients may elect to be billed directly or may authorize the custodian / record keeper of the Plan's assets to direct the fee payment directly to our Firm. All terms of our engagement, such as the fee and payment arrangements, will be evidenced in the Investment Fiduciary & Retirement Plan Consulting Agreement.

Either party may terminate the agreement upon 30 days written notice to the other party. Fees will be prorated for the quarter in which termination notice is given, and any unearned fees will become due and payable as per the terms of the Agreement.

### **Additional Fees and Expenses**

As part of our investment advisory services, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Clients may incur certain charges imposed by custodians, brokers and other third parties such as brokerage commissions, transaction fees, custodial fees, wire transfer and electronic funds transfer fees, and other fees and taxes on brokerage accounts and securities transactions. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this brochure.

Lower fees for comparable services may be available from other registered investment advisers.

### **Compensation for the Sale of Securities or Other Investment Products**

We have one person providing investment advice on behalf of our firm who is a registered representative with Purshe Kaplan Sterling Investments ("PKS"), a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. This person is not paid commissions on any transactions or other activity in any LWM client account. This person receives commissions from PKS based on activity or transactions held in non-client accounts and the activity is considered an outside business activity. For more information on the outside business activities of our firm's associated persons, please refer to the *Other Financial Industry Activities and Affiliations* (Item 10) section of this brochure.

Additionally, certain persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons are paid commissions on insurance product activity or transactions in client accounts. LWM maintains portfolio management and trading policies to assist in mitigating any conflicts of interest these practices present.

### **Account Valuation Practices**

LWM uses account market values to calculate assets under management, client investment management fees and investment performance where applicable; therefore, LWM maintains policies and procedures regarding these practices.

With respect to Investment Management Services clients, LWM uses pricing information provided by its clients' custodian to value client portfolios. In the unlikely event, a price is not readily available; LWM will fair value the security in accordance with the methodology outlined in LWM's pricing and valuation policy.

With respect to Retirement Plan Consulting clients, LWM uses market values from the applicable third-party record keeper. These market values are used for fee billing purposes and for assets under advisement calculations.

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

LWM does not accept performance-based fees or participate in side-by-side management.

## **Item 7 Types of Clients**

### **Description**

LWM generally provides investment management services to individuals, high net worth individuals, trusts, estates, or charitable organizations, corporations or business entities. LWM provides investment fiduciary & retirement plan consulting services to institutional clients in establishing 401(k) pension, profit sharing plans and other retirement plans and in monitoring investments in the plans.

### **Account Minimums**

LWM requires a minimum of \$750,000 to establish an investment management account. LWM may waive or lower this minimum at its sole discretion.



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

### Methods of Analysis and Investment Strategies

LWM's investment philosophy is based upon Modern Portfolio Theory which is a broadly accepted investment theory of asset allocation. Asset allocation focuses on designing well-diversified investment models covering multiple asset classes or types of investments utilizing mostly mutual funds, ETFs and equity securities. Client accounts are generally invested according to one of our investment models after understanding the client's investment objectives and risk tolerance, all of which is documented in the client's Investment Policy Statement which is part of the investment management agreement between LWM and the client. The mutual funds and ETFs recommended by LWM primarily invest in U.S. stocks of any market capitalization, foreign stocks including emerging markets, fixed income securities, U.S. Government and Government Agency securities, corporate debt, municipal securities, real estate and commodities. We may also provide advice on alternative investments including but not limited to cryptocurrency. Equity security analysis methods may include fundamental analysis, technical analysis, sector analysis, macro analysis and cyclical analysis.

Fundamental analysis involves evaluating a stock using real data such as company revenues, earnings, return on equity, and profits margins to determine underlying value and potential growth. Technical analysis involves evaluating securities based on past prices and volume. Sector analysis involves a review and assessment of the current condition and future prospects of a given sector of the economy. Macro analysis involves tracking peaks and troughs of businesses and economic cycles. Cyclical analysis involves analyzing the cycles of the market. Our fixed income investment strategy focuses on investment grade fixed income securities BBB+ or above, domestic corporate bonds.

In developing a financial plan for a client, LWM's analysis may include cash flow analysis, investment planning, risk management, tax planning and estate planning. Based on the information gathered, a detailed strategy is tailored to the client's specific situation.

The main sources of information include Morningstar, Charles Schwab, financial news sources, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

### General Risks

Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not a guarantee of future returns. Clients face the following investment risks and should discuss these risks with LWM:

- **Interest-rate Risk:** Fluctuations in interest rates may cause security prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The value of the securities held in client accounts will increase or decrease in response to movements in the market. Market risks, including but not limited to political, regulatory, economic and social developments, and developments that impact specific economic sectors, industries or segments of the market, can affect the value of client accounts. In addition, turbulence in financial markets and reduced liquidity in equity, credit and/or fixed income markets may negatively affect many companies, which could adversely affect client accounts. These risks may be magnified if certain events or developments adversely interrupt the global supply chain. In these and other circumstances, such risks might affect companies on a worldwide scale. Recent

examples include risks related to the coronavirus pandemic.

- *Equity (Stock) Risk*: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well-established companies ("large cap") tend to be less risky than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the risk of the investment.
- *Fixed Income (Bond) Risk*: The purchase of a bond essentially is a contract between the investor and the issuer of the bond. The investor is to receive a fixed amount of interest income annually and their principal at maturity. The greatest risk to fulfillment of this "contract" is if an issuer defaults. Fixed income investors should be aware that changes in interest rates will affect the price of fixed income securities and the valuation of client portfolios.
- *ETF and Mutual Fund Risk*: While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.
- *Real Estate Investment Risk*: Real estate investments are subject to risks generally associated with investing in real estate, such as 1) possible declines in the value of real estate; 2) adverse general and local economic conditions; 3) possible lack of availability of mortgage funds; 4) changes in interest rates; and 5) environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility.
- *Foreign Securities Risk*: Investments in foreign securities involves risks that differ from those of U.S. securities. Foreign securities are subject to the risk of adverse changes in the investment or exchange control regulations, expropriations or confiscatory taxation, political or social instability, and fluctuations in the value of the dollar against the currency of the investment's originating country.
- *Cryptocurrency Risk*: Cryptocurrency is susceptible to extreme volatility of trading prices that many digital assets have experienced in recent periods and may continue to experience. The value of cryptocurrency is subject to a number of factors relating to the capabilities and development of blockchain technologies and to the fundamental investment characteristics of digital assets. The value is dependent on the acceptance of cryptocurrency, a new and rapidly evolving industry. The unregulated nature and lack of transparency surrounding the operations of Digital Asset Exchanges may adversely

affect the value of the digital asset. Regulatory changes or actions by the U.S. Congress or any U.S. federal or state agencies may affect the value of cryptocurrency or restrict the use of one or more digital assets, mining activity or the operation of their networks or the Digital Asset Exchange Market. Changes in policies of the U.S. Securities and Exchange Commission (SEC) could adversely impact the value of cryptocurrencies.

- *Inflation Risk*: When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk*: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk*: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- *Business Risk*: These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk*: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk*: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### **Recommendation of Particular Types of Securities**

As disclosed under the *Advisory Business* section in this brochure, we primarily provide advice on mutual funds, exchange traded funds (ETFs), individual U.S. stocks and bonds. However, we may provide advice on other types of investments including other alternative investments that are appropriate for you since each client has different needs and different tolerance for risk. Each type of security/investment product has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

### **Cybersecurity Risk**

We rely on information technology and electronic communications to conduct business, which subjects us and our clients to the risk of cyber incidents. While we have controls we believe are reasonably designed to protect against cyber incidents resulting in unauthorized access to confidential information or business disruptions, not all cyber incidents are preventable. Should a cyber incident occur, it would likely have a negative impact on our firm and clients.

### **Natural Disaster/Epidemic/Pandemic Risk**

Natural or environmental disasters, such as severe weather and widespread disease, including pandemics and epidemics, have been and can be highly disruptive to economies and markets, adversely impacting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors affecting the value of client

accounts. Given the increasing interdependence of global economies and markets, conditions in one country, market, or region are increasingly likely to adversely affect markets, issuers, and/or foreign exchange rates in other countries, including the U.S. These disruptions could prevent LWM from executing advantageous investment decisions in a timely manner and negatively impact LWM's ability to achieve the investment objectives of its investment models. These disruptions could also prevent LWM and its vendors or service providers from maintaining normal business operations or could result in the loss of services of key personnel on a temporary or long-term basis due to illness or other reasons. Any such event(s) could have a significant adverse impact on the value of client accounts and the risk profile of LWM's investment models.

## **Item 9 Disciplinary Information**

Ledge Wealth Management, Inc. has no disciplinary events to disclose.

## **Item 10 Other Financial Industry Activities and Affiliations**

### **Representative of Broker-Dealer / Independent Insurance Agent**

We have one person providing investment advice on behalf of our firm who is a registered representative with Purshe Kaplan Sterling Investments ("PKS"), a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. As a registered representative, this person receives commission-based compensation in connection with the purchase and sale of securities in non-client accounts, including 12b-1 fees for the sale of investment company products. No commission-based compensation is earned by LWM or its investment adviser representatives in connection with the purchase or sale of securities in client accounts.

Additionally, certain persons providing investment advice on behalf of our firm are also licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you, a LWM client. Compensation earned by these persons in their capacity as licensed insurance agents is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are licensed insurance agents have a financial incentive to effect insurance transactions on your behalf. In efforts to mitigate this conflict of interest, our firm has adopted internal policies and procedures designed to supervise the advisory activities of our firm. Our firm and investment adviser representatives are fiduciaries, and we will always act in your best interests. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics Description**

We maintain a Code of Ethics and Personal Trading Policy (the "Code"), which applies to all employees. As a fiduciary, we have a duty of utmost good faith to act solely in the best interests of each of our clients. We strive to foster a healthy culture of compliance within all aspects of our business. Further, we expect our employees to avoid potential conflicts of interest or even the appearance of such conflicts. These principles represent the expected basis of all dealings with clients.

Our Code outlines the standards of conduct expected of our employees and includes limitations on personal trading, giving and accepting gifts, sponsorships, serving as a director or trustee for an external organization and engaging in outside business activities. In addition, employees are prohibited from using nonpublic inside information to trade in personal accounts or on behalf of our clients.

### **Personal Trading Practices**

We require all employees to obtain prior written approval before acquiring 1) securities in an initial public offering, 2) a private placement, 3) certain equity securities and 4) any fixed income securities. In addition, our Code requires all employees to report certain security holdings initially upon employment and on an annual basis thereafter.

Employees are permitted to own funds and individual securities LWM also recommends to our clients. However, transactions in these securities are subject to trading restrictions as outlined in our Code of Ethics. This may create an incentive for employees to place their own interests ahead of our clients. To mitigate this risk, our Code restricts employees trading under certain circumstances and requires employees to routinely report personal transactions and holdings. However, due to the immaterial nature of our employee's ownership interests in these securities and the size and nature of the individual securities managed by the employee, we believe our employees' personal trading activity has a negligible impact on the value of these securities.

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

## **Item 12 Brokerage Practices**

### **The Custodian and Brokers We Use**

Your assets must be maintained in an account at a "qualified custodian," generally a broker/dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "*Your Brokerage and Custody Costs*").

### **How We Select Brokers/Custodians**

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

- Research services provided;
- Breadth of available investment products;
- Prior service to LWM and its clients;
- Quality of execution;
- Financial condition of the firm;

- Commission structure;
- Acceptable record keeping, administrative and settlement functions; and
- Reputation and integrity.

### **Your Brokerage and Custody Costs**

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, 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 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 have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "*How We Select Brokers/Custodians*").

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Research and Other Soft Dollar Benefits**

LWM does not engage in pre-arranged, formal soft dollars arrangements. LWM, however, may receive the benefit of research, brokerage or other services provided by broker-dealers, such as proprietary software, assistance with back-office functions, invitations to conferences, and other general research. While LWM may consider research services provided in allocating brokerage to a specific broker, as a practical matter LWM allocates brokerage on the basis of execution quality and other related services. Receipt of benefits and other services from Schwab may result in conflicts of interest as LWM may be incented to recommend Schwab in order to continue to receive these benefits and other services at no cost to LWM. LWM maintains a Code of Ethics and brokerage policies to address such conflicts of interest. Further, LWM's Investment Committee is responsible for overseeing its recommendation of Schwab to clients. Research received in connection with soft dollars will not be used solely for the accounts that generated the brokerage commission, but will generally be used in managing all client accounts.

### **Trade Aggregation and Allocation**

Due to the nature of the securities in which LWM actively trades (specifically, mutual funds, large cap equities and exchange traded funds ("ETFs")), securities held in client accounts are generally traded on an individual basis and are not aggregated (or, "bunched" or "blocked") with other client trades. When appropriate, individual bonds will be blocked when purchasing or selling across multiple accounts.

Generally, when there is a change in one or more of our models involving a mutual fund, we strive to complete all trades in client accounts on the same day resulting in all clients receiving the same price. When there is a change in one or more of our models involving an equity or ETF, we strive to also complete those on the same day but the trades are generally not blocked and are executed individually by client account so clients may receive different prices. Please refer to the Portfolio Management Process and Account Review Policy for more information on our investment philosophy.

LWM may determine it is in the client's best interest to bunch or block a trade. In these cases, trades are blocked under a master account number under each advisor's name. In almost all cases, a block trade is filled by one broker. If on a rare occasion a block order is filled (full or partial fill) at several prices through multiple trades, an average price will be calculated for all trades executed by the broker for the block, and all participants in the block trade will receive the average price. Only trades executed within the block on the single day may be combined for purposes of calculating the average price. Partial fills may be allocated on a pro rata basis, subject to rounding and reasonable efforts to minimize trading costs.

### **Cross Trades**

LWM may cross trades between two client accounts ("cross transactions") when it is in the best interest of each client participating in the transaction. LWM will not engage in cross transactions with ERISA clients. All cross transactions will be done in accordance with the Cross Transactions Policy.

### **Trade Errors**

It is LWM's policy for clients to be made whole following a trade error. LWM shall follow Schwab's, the executing broker's, trade error policy when correcting and resolving trade errors. Schwab's policy is to absorb de minimis losses under \$100 and make the client whole. If the loss is over \$100, LWM will reimburse for the entire loss. If the trade error results in a gain, Schwab's policy is followed which generally results in the client keeping the gain.

## **Item 13 Review of Accounts**

### **Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Client accounts are reviewed quarterly by the LWM Advisor assigned to the account. Account reviews are performed more frequently when market conditions dictate. Financial Plans are considered complete when recommendations are delivered to the client and a review is done only upon request of client.

### **Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information, and changes in a client's own situation.

LWM offers to meet with its clients at least annually, during which time the client's performance, asset allocation and investment objectives are reviewed.

### **Client Reports**

Individual clients receive a quarterly report from LWM which includes a firm update letter, economic overview, performance summary and billing summary.

## **Item 14 Client Referrals and Other Compensation**

Certain employees may receive additional cash compensation in exchange for their role in obtaining new clients. No additional amount is added to the client's investment advisory fee as a result of the cash referral fees paid.

LWM occasionally sponsors events for clients and prospective clients, the expenses of which

may be paid, in whole or in part, by firms whose products, such as mutual funds, are recommended to clients by LWM. LWM's Code of Ethics requires LWM have procedures in place to monitor sponsorships for conflicts of interest and to provide reasonable assurance the amounts received are not excessive.

## **Item 15 Custody**

We do not maintain custody of client assets, except as a consequence of our ability to withdraw our advisory fee directly from client accounts and our ability to direct transactions to third parties contingent upon a signed standing letter of authorization from a client and certain other requirements being met. We have written authority from these clients to engage in these transactions and comply with the appropriate regulatory guidance. In addition, all transactions are fully disclosed on quarterly client account statements sent by the qualified custodian. You should carefully review and compare account statements received from LWM to accounts statements received from your custodian for accuracy and contact us immediately if you have any questions. We maintain policies and procedures designed to provide reasonable assurance our client's qualified custodian is sending quarterly statements to our clients and that we do not inadvertently obtain further custody over client assets.

## **Item 16 Investment Discretion**

We provide investment management services on a discretionary and non-discretionary basis. All accounts are subject to a written investment advisory agreement which describes investment authority, investment objectives, fees and other matters.

## **Item 17 Voting Client Securities**

### **Proxy Voting**

As a matter of firm policy and practice, LWM does not have the authority to and does not vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive their proxies or other solicitations directly from their custodians or from a transfer agent.

## **Item 18 Financial Information**

LWM has no financial conditions which would impair our ability to meet contractual commitments to our clients.

## **Other Information**

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit. Moreover, we do not determine whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf.



## **NOTICE OF OUR PRIVACY POLICY**

### ***Our Promise to You***

As a client of LWM, you share both personal and financial information with us. Your privacy is important to us, and we are dedicated to safeguarding your personal and financial information.

### ***Information Provided by Clients***

In the normal course of doing business, we typically obtain the following non-public personal information about our clients:

- Personal information regarding our clients' identity such as name, address and Social Security number;
- Information regarding securities transactions effected by us; and
- Client financial information such as net-worth, assets, income, bank account information and account balances.

### ***How We Manage and Protect Your Personal Information***

We do not sell information about current or former clients to third parties, nor is it our practice to share such information with third parties unless requested or permitted to do so by a client or client representative or, if necessary, in order to process a transaction, service an account or as permitted by law. We may, however, share information about you with our affiliates.

Additionally, we may share information with outside companies that perform administrative services for us. However, our arrangements with these service providers require them to treat your information as confidential.

In order to protect your personal information, we maintain physical, electronic and procedural safeguards to protect your personal information. Our Privacy Policy restricts the use of client information and requires that it be held in strict confidence.

### ***Client Notifications***

If we change our Privacy Policy with regard to sharing your confidential information, we are required by law to notify you and provide you a revised notice. Please do not hesitate to contact us with questions about this notice.