

**Lighthouse Financial Advisors, Inc.  
d/b/a Lighthouse Wealth Management**

**164 W. Main Street, Suite F  
New Market, Maryland 21774**

**Telephone: (301) 865-9740  
Fax: (301) 865-9741**

**[www.lighthousewlth.com](http://www.lighthousewlth.com)**

**October 17, 2019**

**FORM ADV PART 2A  
BROCHURE**

**This brochure provides information about the qualifications and business practices of Lighthouse Financial Advisors, Inc. d/b/a Lighthouse Wealth Management. If you have any questions about the contents of this brochure, please contact us at (301) 865-9740. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Lighthouse Wealth Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Lighthouse Wealth Management is 118060.**

**Lighthouse Wealth Management is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment filed on January 23, 2018, we have no material changes to report.

**If you have questions or would like a copy of our most recent brochure, you can request one free of charge at anytime by contacting us at (301) 865-9740 or 164 W. Main Street, Suite F, New Market, Maryland 21774. You can also visit our website at [www.lighthousewlth.com](http://www.lighthousewlth.com).**

### Item 3 Table Of Contents

Item 1 Cover Page	Page 1
Item 2 Material Changes	Page 2
Item 3 Table Of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 8
Item 6 Performance-Based Fees and Side-By-Side Management	Page 9
Item 7 Types of Clients	Page 9
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 9
Item 9 Disciplinary Information	Page 11
Item 10 Other Financial Industry Activities and Affiliations	Page 11
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 12
Item 12 Brokerage Practices	Page 12
Item 13 Review of Accounts	Page 17
Item 14 Client Referrals and Other Compensation	Page 17
Item 15 Custody	Page 19
Item 16 Investment Discretion	Page 19
Item 17 Voting Client Securities	Page 19
Item 18 Financial Information	Page 19
Item 19 Requirements for State Registered Investment Advisers	Page 20
Item 20 Additional Information	Page 20

## Item 4 Advisory Business

Lighthouse Financial Advisors, Inc. d/b/a Lighthouse Wealth Management is a registered investment adviser based in New Market, Maryland. We are organized as a sub Chapter-S corporation under the laws of the State of Maryland. We have been providing investment advisory services since 2000. Thomas Michael Kozlowski, President and Andrew Paul Wilson, Vice President are our principal owners. Edward. S. Kozlowski is our Treasurer and Chief Compliance Officer, and Henry L. Becker, Jr. is our Secretary.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory 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 Lighthouse Financial Advisors, Inc and the words "you," "your" and "client" refer to you as either a client or prospective client of our firm. In addition, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

We offer personalized investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. We engage in broad-based financial planning, cash flow planning, estate planning, insurance planning, divorce planning, college planning, and compensation and benefits planning, among others. The combination of study, industry experience, and comprehensive research allows our firm to provide quality advisory services to our clients. Currently, we offer the following investment advisory services, which are personalized to each individual client.

### **Financial Planning and Consulting Services**

We offer broad-based, consultative financial planning services. Financial planning will 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. 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 specify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. Once we review and analyze the information you provide to our firm, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

You may only require advice on a single aspect of the management of your financial resources; therefore, we offer financial plans in a defined format and/or general consulting services that address only those specific areas of interest or concern, depending on your unique circumstances.

Financial planning advice may be rendered in the areas of business planning, retirement planning, financial planning, cash flow planning, estate planning, insurance planning, divorce planning, college planning, and compensation and benefits planning, among others. Lighthouse Financial Advisors, Inc. d/b/a Lighthouse Wealth Management will not provide legal or accounting advice. It is recommended that you consult an attorney, accountant, or tax adviser for legal or tax advice.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information, you provide to our firm. 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. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

We utilize the following financial planning/consulting fee schedule:

- **Fixed Fees:** Fixed fees for financial planning generally range between \$500 and \$5,000 depending on the scope and complexity of the contracted services.
- **Hourly Fees:** Typically, we charge an hourly fee of \$125 to \$325 depending on the scope and complexity of the contracted services.

When the scope of the financial planning services has been agreed upon, a determination will be made as to applicable fee, and an estimate will be provided to you. The final fee, subject to negotiation, is directly dependent upon the facts and circumstances of your financial situation and the complexity of the financial plan or services requested.

For financial planning and hourly consulting services, a good faith deposit may be required while the balance will be invoiced and payable upon completion of the services and/or presentation of the written plan, if applicable. Under no circumstance will the Firm require payment more than six months in advance in excess of \$1,200.

However, at our discretion, other fees and fee payment arrangements may be negotiated. If you choose to implement the financial plan through us, the financial planning fees may be offset by asset management fees and there will be no additional charge for normal planning services over and above the asset management fee. Extraordinary research or analysis may involve additional costs, which will be negotiated on an individual basis prior to beginning such work. The fees and terms of the financial planning services will be clearly set forth in the Client agreement executed between you and our firm. In limited circumstances, the time/cost could potentially exceed the initial estimate. In such cases, we will notify you and may request that you pay an additional fee.

You may terminate the financial planning 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.

### **Asset Management Services**

We offer discretionary and non-discretionary asset management services exclusively through our Wrap Fee Program. For more information concerning the Wrap Fee Program, see Appendix 1 to this Brochure. Some legacy clients may have contracted for services under a different contract or fee schedule.

We are affiliated with Lighthouse Tax Services, LLC ("LTS") through common control and ownership. We will contract directly with LTS, or third party professionals for tax related or legal services for COMPASS participants. In some cases, LTS may outsource or we may refer clients in need of specialized tax or accounting services to other CPAs.

### **Wrap Fee Program**

We are a portfolio manager to and sponsor of a wrap fee program, which is a type of investment program that provides clients with access to several money managers or mutual fund asset allocation models for a single fee that includes administrative fees, management fees, and commissions. If you participate in our wrap fee program, you will pay our firm a single fee for our asset management services, which includes certain transaction costs, and custodial and administrative costs. The wrap fee may cover all or some planning and a tax related services, depending on your asset level and/or

services selected. We receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program. For more information concerning the Wrap Fee Program, see *Appendix 1* to this Brochure.

To participate in our wrap program, transactions for your wrap account must be executed by Charles Schwab & Co., Inc. or, in limited circumstances, TD Ameritrade, Inc., both of which are registered securities broker-dealers and members of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

To compare the cost of our wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and the brokerage commissions charged by or other broker-dealers, and the advisory fees charged by investment advisers.

### **Pension Consulting Services**

We offer non-discretionary pension consulting 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 (the "client"). In general, these services may include an existing plan review and analysis, plan-level advice regarding fund selection and investment options, education services to plan participants, investment performance monitoring, and/or ongoing consulting. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

*Fiduciary Services:* In performing the Fiduciary Services, we will act as a fiduciary of the plan under the Employee Retirement Income Security Act ("ERISA") only for the purpose of advising client regarding client's investment selections (non-discretionary investment advice). We do not and will not exercise discretion regarding the selection of plan investments. Client is solely and exclusively responsible for selecting, removing, adding, and replacing any plan investment options.

- We will provide non-discretionary investment advice to client about investment alternatives available to the plan in accordance with the plan's investment policies and objectives. Client shall have the final decision-making authority regarding the initial selection, retention, and removal of investment options.
- We will assist in the development of an investment policy statement ("IPS"). The IPS establishes the investment policies and objectives for the plan, and shall set forth the asset classes and investment categories to be offered under the plan, as well as the criteria and standards for selecting and monitoring the investments. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt the investment policy statement.
- We will prepare periodic investment advisory reports that document consistency of fund management and performance to the guidelines set forth in the IPS and make recommendations to maintain and replace investment options.
- We will meet with client on a periodic basis to discuss reports and recommendations.
- We will provide investment advice to the client with respect to the selection of qualified default investment alternative ("QDIA") for participants who fail to make an investment election.

*Non-Fiduciary Services:* In performing the Non-Fiduciary Services, we are not acting as a fiduciary of the plan as defined under ERISA

- We will assist in the education of the participants in the plan about general investing principles and the investment alternatives available under the plan.
- We will assist in the group enrollment meetings to explain retirement plan participation, savings

and investing for eligible employees.

We may also provide investment-related educational seminars to plan participants on such topics as:

- Diversification
- Asset allocation
- Risk tolerance
- Time horizon

In performing both Non-Fiduciary and Fiduciary Services, we do not act as, nor will we agree to assume the duties of, a trustee or the plan administrator, as defined under ERISA, and we have no discretion or responsibility to interpret the plan documents, to determine eligibility or participation under the Plan, or to take any action with respect to the management, administration or any other aspect of the plan. We do not provide legal or tax advice.

We may also provide additional types of pension 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.

Our advisory fees for these customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis. The fee will typically be based on a percentage of the plan assets or will be expressed in terms of basis points ("bps"). One basis point is equal to 1/100<sup>th</sup> of 1%.

Typically, the fee will be billed and payable monthly or quarterly in arrears based on the value of the plan assets as determined by the plan custodian or record keeper in accordance with their normally established billing period for calculating fees. If the services agreement is executed at any time other than the first day of a billing period, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the billing period for which the plan is a client.

We will either send an invoice to the responsible party, or the fees will be paid to us directly by the custodian holding the funds and securities and/or the vendor administering the plan.

Either party to the agreement may terminate the agreement upon 60-days' written notice to the other party. The pension consulting fees will be prorated for the quarter in which the termination notice is given and any unearned fees will be refunded to the client.

### **Types of Investments**

We primarily offer advice on mutual funds; however, we may also offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, US Government securities, options contracts on securities, and interests in partnerships investing in real estate and oil and gas.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolios at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.



If you participate in a wrap fee program, we will provide you with a separate Wrap Fee Program Brochure explaining the program, investment strategies, and costs associated with the program.

### **Assets Under Management**

As of January 29, 2019, we manage \$299,731,112 in client assets on a discretionary basis, and \$2,932,426 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Please refer to the *Advisory Business* section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, 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. You may also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. 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.

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

Edward S. Kozlowski is a registered representative with First Allied Securities, Inc. ("First Allied"), a securities broker-dealer, and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). In his capacity as a registered representative, he will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by Mr. Kozlowski in his capacity as a registered representative is separate and in addition to our advisory fees. This practice may present a conflict of interest because Mr. Kozlowski may have an incentive to effect securities transactions for the purpose of generating commissions rather than based solely on your needs. However, you are under no obligation, contractually or otherwise, to purchase securities products through First Allied or any broker-dealer recommended to you.

We may recommend that you purchase variable annuities to be included in your investment portfolios. Edward S. Kozlowski may earn commissions on the sale of the variable annuities in his capacity as a registered representative of First Allied. If Mr. Kozlowski earns commissions on the sale of variable annuities recommended to you, we will not include the annuity accounts in the total value used for our advisory billing/fee computation. Annuities will be purchased for your account only after you receive a prospectus disclosing the terms of the annuity. You are under no obligation, contractually or otherwise, to purchase variable annuities through Mr. Kozlowski or anyone recommended by our firm. Please refer to the *Other Financial Industry Activities and Affiliations* section for additional disclosures on Mr. Kozlowski's roles with Lighthouse Wealth Management.

Certain Associated Persons providing investment advice on behalf of our firm may be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice may present a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents



have an incentive to recommend insurance products to you for the purpose of generating commissions rather than based solely on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

At our discretion, we may offset our advisory fees to the extent our Associated Persons earn commissions in their separate capacities as registered representatives and/or insurance agents.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Advisory Business* section above, and are not charged based on a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## **Item 7 Types of Clients**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we require a minimum of \$100,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management.

We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- **Technical Analysis** - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various factors. Your restrictions and guidelines may affect the composition of your portfolios.

### **Risks of Methods of Analysis**

**Technical Analysis** - The risk of buying and selling securities based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your accounts. Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

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

As disclosed under the *Advisory Business* section in this Brochure, we primarily recommend mutual funds; however, we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security 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.

Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. 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. In addition, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds charge such fees which

can also reduce returns. Mutual funds can also be "closed end" or "open end." So-called "open end" mutual funds continue to allow in new investors indefinitely, which can dilute other investors' interests. We primarily recommend no-load funds.

## **Item 9 Disciplinary Information**

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

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

### **Registrations with Unaffiliated Broker-Dealer**

Edward S. Kozlowski, Treasurer and Chief Compliance Officer, is registered as an investment adviser representative of Lighthouse Wealth Management. Mr. Kozlowski is responsible for the compliance activities of the firm, however, he does not provide investment advice to clients in his capacity as an investment adviser representative. Mr. Kozlowski is also a registered representative of First Allied, a securities broker-dealer, member of FINRA and SIPC. In his capacity as a registered representative, he will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by Mr. Kozlowski in his capacity as a registered representative is separate and in addition to our advisory fees.

In his registered representative capacity with First Allied, Mr. Kozlowski may recommend that you purchase variable annuities to be included in your investment portfolios. Mr. Kozlowski will earn commissions on the sale of the variable annuities. If Mr. Kozlowski earns commissions on the sale of variable annuities recommended to you, we will not include the annuity accounts in the total value used for our advisory billing/fee computation. Annuities will be purchased for your account only after you receive a prospectus disclosing the terms of the annuity.

This practice may present a conflict of interest because Mr. Kozlowski may have an incentive to effect securities transactions or recommend the sale of variable annuities for the purpose of generating commissions rather than based solely on your needs. However, you are under no obligation, contractually or otherwise, to purchase securities products through First Allied or any broker-dealer recommended to you.

### **Insurance**

Certain Associated Persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Please see the *Fees and Compensation* section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

### **Tax and Accounting Services**

We are affiliated with Lighthouse Tax Services, LLC ("LTS") through common control and ownership. Edward S. Kozlowski, or CPAs from LTS, will provide tax preparation services through LTS. In some cases, LTS may outsource specialized tax or accounting services to other tax and accounting firms. Fees charged by our affiliated entities are separate and distinct from advisory fees charged by our firm for advisory services. It is expected that you may become a client of LTS, but you are under no obligation to use the services of our firm, LTS, or of their associated persons.

As described above in the *Advisory Business* section, we will contract directly with LTS or third party professionals for tax related and/or legal services for COMPASS participants.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

### **Aggregated Trading**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("aggregated trading"). Refer to the *Brokerage Practices* section in this brochure for information on our aggregated trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services of Charles Schwab & Co., Inc., ("Schwab" or "Custodian"). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

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

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

We do not have any soft dollar arrangements.

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

We have also entered into an agreement with First Allied, whereby First Allied has provided funding to our firm, and certain investment adviser representatives, in the form of forgivable loans, for the purpose of establishing and growing our investment advisory business. As part of these agreements, our firm has agreed to use First Allied's brokerage and custody services for at least a certain period of time. These arrangements create a conflict of interest in that we have a financial incentive to recommend First Allied's brokerage and custody services to our clients. Please see the *Client Referrals and Other Compensation* section for additional details related to the forgivable loans.

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

We do not maintain custody of your assets that we manage, although we may be deemed to have limited custody of your assets if you give us authority to withdraw assets from your account. 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, member SIPC, 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 will buy and sell securities when you or 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. 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:

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

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

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services, but it is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. For some accounts, Schwab may charge you a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab's commission rates applicable to our client accounts were negotiated based on the condition that our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. This commitment benefits you because the overall commission rates 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*").

### **Schwab - Your Custody and Brokerage Costs**

For our clients' accounts it 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. Schwab's commission rates and/or asset-based fees applicable to our client accounts were negotiated based on our commitment to maintain \$250 million of our clients' assets statement equity in accounts at Schwab. This commitment benefits you because the overall commission rates and/or asset-based fees you pay are lower than they would be if we had not made the commitment. In addition to commission rates and/or asset-based fees 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.

### **Products and Services Available to Us From Schwab**

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide our clients and us with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services.

### **Services That Benefit You**

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

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

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

### **Services That Generally Benefit Only Us**

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

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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. 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. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.



### **Our Interest in Schwab's Services**

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

In limited circumstances, wrap accounts may be held at TD Ameritrade, Inc., a registered securities broker-dealers and members of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation.

### **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.

### **Directed Brokerage**

We routinely recommend that you direct our firm to execute transactions through Schwab. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

Edward S. Kozlowski is a registered representative of First Allied are subject to FINRA, formerly NASD, conduct Rule 3040. The Rule requires registered individuals to conform to First Allied's supervisory requirements when conducting securities transactions away from First Allied. Mr. Kozlowski may recommend First Allied to you for certain securities transactions/brokerage services. Mr. Kozlowski is subject to applicable rules that restrict him from conducting certain securities transactions away from First Allied unless First Allied provides Mr. Kozlowski with written authorization to do so. Therefore, Mr. Kozlowski is generally limited to conducting certain securities transactions through First Allied. It may be the case that First Allied charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through First Allied, Mr. Kozlowski (in his separate capacity as a registered representative of First Allied) may earn commission-based compensation as result of placing the recommended securities transactions through First Allied. This practice presents a conflict of interest because Mr. Kozlowski might have an incentive to effect securities transactions for the purpose of generating commissions rather than based solely on your needs. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through First Allied or any broker-dealer that is recommended to you. Please see the *Other Financial Industry Activities and Affiliations* section for additional disclosures related to Mr. Kozlowski's roles with Lighthouse Wealth Management.

### **Aggregated Trades**

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for discretionary advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The

distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and may pay a proportionate share of all transaction costs. Generally, transactions in ETFs are effected for fixed transaction cost. Generally, non-wrap accounts will pay a fixed transaction cost regardless of the number of shares transacted. If you participate in our wrap fee program described above, you will not pay any portion of the transaction costs in addition to the program fee.

We do not aggregate trades for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher or lower commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm pay.

### **Item 13 Review of Accounts**

Thomas M. Kozlowski, President, Andrew P. Wilson, Vice President, and Henry L. Becker, Jr., Secretary will monitor your accounts on a continuous basis to ensure the advisory services provided to you are consistent with your investment needs and objectives. We will offer you a formal account review on an annual basis where you will receive a progress report. Additional reviews may be conducted upon your request. Triggering factors that may stimulate a review include, but are not limited to, significant market corrections, large deposits, or withdrawals from an account, and your request for an additional review. You will receive reports, at least quarterly, from the custodian holding their funds and securities.

If you are a financial planning client, who implements the plan through us, we recommend annual meetings to review the progress of the plan. If you do not implement the plan through us, additional consultations, reviews, and/or updates to existing plans may be subject to our then current hourly rate.

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

We receive economic benefits from First Allied for providing investment advice or other advisory services to you. Through our use of First Allied, we are entitled to receive economic benefits. As part of our fiduciary duty, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm from a non-client in and of themselves creates a potential conflict of interest and may influence our choice in providing services to your account. This arrangement does not cause our clients to pay any additional transaction fees beyond those that are traditionally charged by our firm and/or other service providers.

#### Forgivable Loan

First Allied provided financial assistance to our firm by establishing a forgivable loan with certain investment adviser representatives of Lighthouse Wealth Management. The forgivable loans are intended to assist the investment adviser representatives with start-up costs for affiliated entities, transition costs and marketing. Under the terms of the First Allied forgivable loan, the loan plus accrued interest shall be forgiven, so long as no Event of Default has occurred, during the length of the loan, which is over a 6 year period. Clearing and custodial arrangements with First Allied, any of First Allied's affiliates as described herein, do not and will not in any way affect, or relate or pertain to, the First Allied forgivable loan.

Our clients do not pay more for investment transactions effected and/or assets maintained at First Allied as result of these arrangements. There is no corresponding commitment made by our Firm to First Allied or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

Additionally, as disclosed under the *Fees and Compensation* section in this brochure, certain persons providing investment advice on behalf of our firm are licensed insurance agents, and certain persons are registered representatives with First Allied, a securities broker-dealer, and a members FINRA and SIPC. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the *Fees and Compensation* section.

We receive economic benefits from 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 Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above in the *Brokerage Practices* section of this brochure. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

We do not receive any compensation from any third party in connection with providing investment advice to you. However, we directly compensate individuals and/or entities ("Solicitors") for client referrals. Certain Solicitors (individuals or entities) might be affiliated with, contracted by, or employed by LTS, a tax firm. LTS is affiliated with our firm through common control and ownership. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your accounts for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodians holding your funds and securities at least quarterly. The account statements from your custodians will indicate the amount of our advisory fees deducted from your accounts each billing period. You should carefully review account statements for accuracy. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your accounts without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your accounts. For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the Wrap Fee Program, see Appendix 1 to this Brochure, for more information on our discretionary and non-discretionary management services. If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your accounts. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We have not filed a bankruptcy petition at any time in the past ten years. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

## Item 19 Requirements for State Registered Investment Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

### Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or 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 for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### IRA Rollover Considerations

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  1. Employer retirement plans generally have a more limited investment menu than IRAs.
  2. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.

1. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
2. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  1. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.