Form ADV Part 2A – Wrap Fee Program Brochure

for



a Registered Investment Adviser

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This brochure provides information about the qualifications and business practices of Second Line Capital, LLC (hereinafter "2LC" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. 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. Additional information about the Firm is available on the SEC's website at www.adviserinfo.sec.gov. The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

Pursuant to SEC regulations, enclosed is our annual Form ADV Part 2A Wrap Fee Program Brochure. There are no material changes since our last annual update.

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Item 4. Advisory Business

The 2LC Wrap Program (the "Program") is an investment advisory program sponsored by 2LC. In addition to the Program, the Firm offers a variety of advisory services, which include financial planning, consulting, and investment management services under different arrangements than those described herein. Prior to 2LC rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with 2LC setting forth the relevant terms and conditions of the advisory relationship (the "Advisory Agreement").

2LC filed for registration as an investment adviser in March 2023 and is owned by P. David Soliman, John Bordelon, and Faubourg Private Wealth, LLC. As of March 27, 2025, 2LC had $723,038,063 assets under management all of which were managed on a discretionary basis.

While this brochure generally describes the business of 2LC, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on 2LC's behalf and is subject to the Firm's supervision or control.

2LC provides advisory services through certain programs sponsored by LPL Financial LLC ("LPL"), a registered investment advisor and broker-dealer. 2LC has included a brief description of each LPL advisory program that it intends to use. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs please see the program account packet (which includes the account agreement and LPL Form ADV program brochure) and the Form ADV, Part 2A of LPL or the applicable program.

Description of the Program

The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts. Clients must also open a new securities brokerage account and complete a new account agreement with LPL and/or Charles Schwab & Co, Inc. through its Schwab Advisor Services division ("Schwab") and/or CHARLES SCHWAB Institutional, a division of CHARLES SCHWAB, Inc. ("Charles Schwab" and together with Schwab and LPL, "Custodian"), or another broker-dealer that 2LC approves under the Program (collectively "Financial Institutions").

2LC assists its clients in developing an appropriate strategy for managing their assets. Clients' investment portfolios are generally managed on a discretionary and/or non-discretionary basis by either 2LC's investment adviser representatives or an independent investment manager (collectively "Independent Managers"), as selected by 2LC. 2LC and/or the Independent Managers generally allocates clients' assets among the various investment products available under the Program, as described further in Item 6 (below).

Financial Planning and Consulting Services

2LC offers clients a broad range of financial planning and consulting services, which include any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Charitable Giving
- Distribution Planning
- Tax Planning
- Education Planning

While each of these services is available on a stand-alone basis, certain of them can also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, 2LC is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.,) and is expressly authorized to rely on such information. 2LC recommends certain clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage 2LC or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by 2LC under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising 2LC's recommendations and/or services.

Investment and Wealth Management Services

2LC manages client investment portfolios on a discretionary or non-discretionary basis. In addition, 2LC provides certain clients with wealth management services which include a broad range of financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

2LC primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, and independent investment managers ("Independent Managers") in accordance with their stated investment objectives. The client's investment adviser representative ("IAR") will work with the client directly to recommend investments. The investments can be recommended direction by the IAR, be part of a model run by the Firm, or through Independent Managers.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon. Clients can engage 2LC to manage and/or advise on certain investment products that are

not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, 2LC directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

2LC tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. 2LC consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify 2LC if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if 2LC determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

Retirement Plan Consulting Services

2LC provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and includes any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by 2LC as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of 2LC's fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

Use of Independent Managers

As mentioned above, 2LC selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager are set forth in a separate written agreement with the designated Independent Manager. That agreement can be between the Firm and the Independent Manager (often called a subadvisor) or the client and the Independent Manager (sometimes called a separate account manager). In addition to this brochure, clients will typically also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

2LC evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. 2LC also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

2LC continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. 2LC seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests. The client may incur additional fees than those charged by 2LC.

In certain circumstances, 2LC receives compensation pursuant to its agreements with the Independent Managers for introducing clients to the Independent Managers and for certain ongoing services provided to clients. This compensation is disclosed to the client in a separate disclosure document and is typically equal to a percentage of the investment advisory fee charged by that Independent Manager or a fixed fee.

Since compensation 2LC receives may differ depending on the agreement with each Independent Manager, 2LC has an incentive to recommend an Independent Manager with a more favorable compensation arrangements. Since the Independent Manager may pay the fee for the investment advisory services of 2LC, the fee paid to 2LC is not negotiable, under most circumstances.

Fees paid by clients to the Independent Managers are established and payable in accordance with the disclosure documents of each Independent Manager, and may or may not be negotiable, as disclosed in the disclosure documents of the Independent Manager.

Certain Independent Manager(s) may impose more restrictive account requirements and varying billing practices than 2LC. In such instances, 2LC may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s) or wrap fee program sponsor.

The Firm expects to use certain of the LPL programs as discussed herein which use Independent Managers.

2LC Managed Portfolios

In addition to the recommendations of Independent Managers, the Firm will also manage portfolios using proprietary recommendations. These can be customized recommendations as well as Firm-managed model portfolios. The Firm may manage the portfolios directly or by through third-party recommendations. The IAR will choose whether to recommend the services of the Firm or outside Independent Managers. The Firm's fee for managing the portfolios is taken as part of the overall fee to the client whereas Independent Manager fees are billed to the client separately. That results in a conflict of interest of interest for IARs to recommend Independent Managers as the fee will not come out of that IARs fees.

Use of LPL Programs

As described above, the Firm expects to use the following LPL programs.

2LC can provide advisory services through certain programs sponsored by LPL Financial LLC ("LPL"), a registered investment advisor and broker-dealer. Below is a brief description of each LPL advisory program 2LC expects to use. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs please see the

program account packet (which includes the account agreement and LPL Form ADV program brochure) and the Form ADV, Part 2A of LPL or the applicable program.

Manager Access Select Program

Manager Access Select offers clients the ability to participate in the Separately Managed Account Platform (the "SMA Platform") or the Model Portfolio Platform (the "MP Platform"). In the SMA Platform, 2LC will assist client in identifying a third party portfolio manager (SMA Portfolio Manager) from a list of SMA Portfolio Managers made available by LPL, and the SMA Portfolio Manager manages client's assets on a discretionary basis. 2LC will provide initial and ongoing assistance regarding the SMA Portfolio Manager selection process. In the MP Platform, clients authorize LPL to direct the investment and reinvestment of the assets in their accounts, in accordance with the selected model portfolio provided by LPL's Research Department or a third-party investment advisor.

A minimum account value of $50,000 is required for Manager Access Select, however, in certain instances, the minimum account size may be lower or higher.

Optimum Market Portfolios Program (OMP)

OMP offers clients the ability to participate in a professionally managed asset allocation program using Optimum Funds shares. Under OMP, client will authorize LPL on a discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by the client. 2LC will assist the client in determining the suitability of OMP for the client and assist the client in setting an appropriate investment objective. 2LC will have discretion to select a mutual fund asset allocation portfolio designed by LPL consistent with the client's investment objective. LPL will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for the client. LPL will also have authority to rebalance the account.

A minimum account value of $10,000 is required for OMP. In certain instances, LPL will permit a lower minimum account size.

Personal Wealth Portfolios Program (PWP)

PWP offers clients an asset management account using asset allocation model portfolios designed by LPL. 2LC will have discretion for selecting the asset allocation model portfolio based on client's investment objective. Advisor will also have discretion for selecting third party money managers (PWP Advisors), mutual funds and ETFs within each asset class of the model portfolio. LPL will act as the overlay portfolio manager on all PWP accounts and will be authorized to purchase and sell on a discretionary basis mutual funds, ETFs and equity and fixed income securities.

A minimum account value of $250,000 is required for PWP. In certain instances, LPL will permit a lower minimum account size.

Model Wealth Portfolios Program (MWP)

MWP offers clients a professionally managed mutual fund asset allocation program. 2LC will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP program and assist the client in setting an appropriate investment objective. 2LC will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL's Research Department consistent with the client's stated investment objective. LPL's Research Department, a third- party portfolio strategist and/or 2LC, through its IARs, may act as a portfolio strategist responsible for selecting the mutual funds or ETFs within a model portfolio and for making changes to the mutual funds or ETFs selected.

The client will authorize LPL to act on a discretionary basis to purchase and sell mutual funds and ETFs and to liquidate previously purchased securities. The client will also authorize LPL to effect rebalancing for MWP accounts.

MWP requires a minimum asset value for a program account to be managed. The minimums vary depending on the portfolio(s) selected and the account's allocation amongst portfolios. The lowest minimum for a portfolio is $25,000. In certain instances, a lower minimum for a portfolio is permitted.

Small Market Solution (SMS) Program

Under SMS, LPL Research (a team of investment professionals within LPL) creates and maintains a series of different investment menus ("Investment Menus") consisting of a mix of different asset classes and investment vehicles ("investment options") for clients that sponsor and maintain participant-directed defined contribution plans ("Plan Sponsors"). The Plan Sponsor is responsible for selecting the Investment Menu that it believes is appropriate based on the demographics and other characteristics of the Plan and its participants. LPL Research is responsible for the selection and monitoring of the investment options made available through Investment Menus. The investment options that are offered through SMS are limited to the specific investments available through the record keeper that the Plan Sponsor selects. The Plan Sponsor may only select an Investment Menu in its entirety and does not have the option to remove or substitute an investment option.

In addition to the services described above, Plan Sponsor may also select from a number of consulting services available under SMS that are provided by 2LC. These consulting services may include, but are not limited to: general education, and support regarding the Plan and the investment options selected by Plan Sponsor; assistance regarding the selection of, and ongoing relationship management for, record keepers and other third-party vendors; Plan participant enrollment support; and participant-level education regarding investment in the Plan. These consulting services do not include any individualized investment advice to the Plan Sponsor or Plan participants with respect to Plan assets.

Guided Wealth Portfolios (GWP)

GWP offers clients the ability to participate in a centrally managed, algorithm-based investment program, which is made available to users and clients through a web-based, interactive account management portal ("Investor Portal"). Investment recommendations to buy and sell exchange-traded funds and open-end mutual funds are generated through proprietary, automated, computer algorithms (collectively, the "Algorithm") of FutureAdvisor, Inc. ("FutureAdvisor"), based upon model portfolios constructed by LPL and selected for the account as described below (such model portfolio selected for the account, the "Model Portfolio"). Communications concerning GWP are intended to occur primarily through electronic means (including but not limited to, through email communications or through the Investor Portal), although 2LC will be available to discuss investment strategies, objectives or the account in general in person or via telephone.

A preview of the Program (the "Educational Tool") is provided for a period of up to forty-five (45) days to help users determine whether they would like to become advisory clients and receive ongoing financial advice from LPL, FutureAdvisor and 2LC by enrolling in the advisory service (the "Managed Service"). Users of the Educational Tool are not considered to be advisory clients of LPL, FutureAdvisor or 2LC, do not enter into an advisory agreement with LPL, FutureAdvisor or 2LC, do not receive ongoing investment advice or supervisions of their assets, and do not receive any trading services.

A minimum account value of $5,000 is required to enroll in the Managed Service.

Strategic Wealth Management II Program ("SWM II")

2LC provides its wrapped services pursuant to this brochure through the SWM II Program which allows 2LC to direct and manage specified client assets at LPL.

Fees for Participation in the Program

2LC offers services on a fee basis, which includes fixed and/or hourly fees, as well as fees based upon assets under management. Additionally, certain of the Firm's Supervised Persons, in their individual capacities, offers securities brokerage services and/or insurance products under a separate commission- based arrangement.

Financial Planning and Consulting Fees

2LC charges a fixed and/or hourly fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but can be up to $15,000 on a fixed fee basis and/or up to $150 on an hourly basis, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. The fee can be for a defined project, such as the delivery of a plan, or for ongoing services. If the client engages the Firm for additional investment advisory services, 2LC can offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement. For project-based services 2LC requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services. Ongoing services are charged as described in the investment management section, below. The Firm does not, however, take receipt of $1,200 or more in prepaid fees, six or more months in advance of services rendered.

Investment Management Fees

2LC offers investment management services for an annual fee based on the amount of assets under the Firm's management. The management fee is determined by the IAR and can be up to 200 basis points (2.00%). The fee is allocated between the Firm and the IAR and can depend on the services recommended by the IAR as well as other factors, but clients will agree to any fee that goes to the Firm (including the IAR). Both the Firm and the IAR will have an incentive to recommend or utilize the options that result in the most profit for themselves. The Firm and the IAR have a fiduciary duty to act in the best interest of clients regardless of that incentive.

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by 2LC on the last day of the previous quarter as determined by a party independent from the Firm (including the client's custodian or another third-party).

The Firm includes cash in a clients account in determining the valuation for billing purposes. The Firm may, in its sole discretion, not include cash in determining the fee, especially where a client has a high percentage of cash for reasons other than the Firm's investment management decision.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), 2LC can negotiate a fee rate that differs from the range set forth

above. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage 2LC for additional services for compensation, including rolling over retirement accounts or moving other assets to the Firm's management. Clients retain absolute discretion over all decisions regarding engaging the Firm and are under no obligation to act upon any of the recommendations.

Any LPL Program referenced above is subject to maximum fees, depending on which program is used.

Fees for LPL Advisory Programs

The account fee charged to the client for each LPL advisory program is negotiable, subject to the following maximum account fees:

- Manager Access Select 3.0%
- OMP 2.5%
- PWP 2.5%
- MWP 2.65%
- SMS 0.95%
- GWP 1.35%

Specific terms of the fees will be disclosed in the Agreement that the client signs. Account fees are payable quarterly in advance, except that the SMS fee is paid in arrears on the frequency agreed to between client and 2LC.

Excluding SMS and GWP, LPL serves as program sponsor, investment advisor and broker-dealer for the LPL advisory programs. In the Managed Service of GWP, LPL is appointed by each client as custodian of account assets and broker-dealer with respect to processing securities transactions for the accounts. In general, FutureAdvisor, in its capacity as investment advisor, will submit transactions through LPL; however, FutureAdvisor may choose to execute transactions through a broker-dealer other than LPL, subject to its duty to seek to achieve best execution. When securities transactions are affected through LPL, there are no brokerage commissions charged to the account. If FutureAdvisor chooses to execute a transaction through a broker-dealer other than LPL, the execution price may include a commission or fee imposed by the executing broker-dealer. In evaluating whether to execute a trade through a broker-dealer other than LPL, Future Advisor will consider the fact that the account will not be charged a commission if the transaction is affected through LPL.

2LC and LPL may share in the account fee and other fees associated with program accounts. Associated persons of 2LC may also be registered representatives of LPL. Under SMS, LPL serves as investment advisor but not the broker-dealer. 2LC and LPL may share in the advisory portion of the SMS fee.

Clients should consider the level and complexity of the advisory services to be provided when negotiating the account fee (or the advisor fee portion of the account fee, as applicable) with 2LC. With regard to accounts utilizing third-party portfolio managers under aggregate, all-in-one account fee structures (including MAS, PWP and the legacy MWP fee structure), because the portion of the account fee retained by 2LC varies depending on the portfolio strategist fee associated with a portfolio, 2LC has a financial incentive to select one portfolio instead of another portfolio.

Please refer to the relevant LPL Form ADV program brochure for a more detailed discussion of conflicts of interest.

Retirement Plan Consulting Fees

2LC charges a fixed project-based fee or asset-based management fee to provide clients with retirement plan consulting or management services. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement.

Fee Comparison

A portion of the fees paid to 2LC are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios, as well as the fees charged by the Independent Managers engaged to provide services under the Program.

Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs. Because the Firm pays for the brokerage fees (even if the brokerage fees are based on assets on the platform and not transaction- based), the Firm has an incentive to engage in less transactions, or transactions that cost less to the Firm, including the use of mutual funds that do not have transaction charges, but have higher expenses to the client. The Firm reviews the frequency and type of investments made in client accounts to act in the client's best interest.

Fee Discretion

2LC may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention, pro bono activities, or competitive purposes.

Other Charges

In addition to the advisory fees paid to 2LC, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges may include fees charged by the Independent Managers, reporting charges, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund Program Fees and other fund expenses), fees and commission for assets not held with LPL (such as 401(k) or 529 plan assets), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees. In addition, LPL charges certain account and service fees that are not included in 2LC's Program Fees. Those can include (1) account maintenance fees such as custody, trade confirmation processing, corporate actions, and transfer fees; (2) cash management fees such as cash sweep, checking, and wire fees; and (3) investment specific fees such as those for administration of alternative investments or for foreign securities. Clients can see the Fee Schedules in the LPL account documents for more information. These fees are not charged by 2LC nor does 2LC share in any of these fees.

A conflict of interest exists where the Firm avoids expenses by trading through a different Financial Institution or purchases securities that cost the client more, but don't result in an expense to the Firm.

Although clients do not pay a transaction charge for transactions in a SWM II account, clients should be aware that 2LC pays LPL transaction or asset-based charges for those transactions. The transaction charges paid by 2LC vary based on the type of transaction (e.g., mutual fund, equity or ETF) and for mutual funds based on whether or not the mutual fund pays 12b-1 fees and/or recordkeeping fees to LPL. Because 2LC pays the transaction charges in SWM II accounts, there is a

conflict of interest in cases where the mutual fund is offered at both $0 and $26.50. Clients should understand that this results in an incentive for

In many instances, LPL makes available mutual funds in an SWM II account that offer various classes of shares, including shares designated as Class A Shares and shares designed for advisory programs, which can be titled, for example, as "Class I," "institutional," "investor," "retail," "service," "administrative" or "platform" share classes ("Platform Shares"). The Platform Share class offered for a particular mutual fund in SWM II in many cases will not be the least expensive share class that the mutual fund makes available, and was selected by LPL in certain cases because the share class pays LPL compensation for the administrative and recordkeeping services LPL provides to the mutual fund. Client should understand that another financial services firm may offer the same mutual fund at a lower overall cost to the investor than is available through SWM II. In other instances, a mutual fund may offer only Class A Shares, but another similar mutual fund may be available that offers Platform Shares. Class A Shares typically pay LPL a 12b- 1 fee for providing shareholder services, distribution, and marketing expenses ("brokerage-related services") to the mutual funds. Platform Shares generally are not subject to 12b-1 fees. As a result of the different expenses of the mutual fund share classes, it is generally more expensive for a client to own Class A Shares than Platform Shares. An investor in Platform Shares will pay lower fees over time, and keep more of his or her investment returns than an investor who holds Class A Shares of the same fund.

2LC has a financial incentive to recommend Class A Shares in cases where both Class A and Platform Shares are available. This is a conflict of interest which might incline 2LC, consciously or unconsciously, to render advice that is not disinterested. Although the client will not be charged a transaction charge for transactions, 2LC pays LPL a per transaction charge for mutual fund purchases and sales in the account. 2LC generally does not pay transaction charges for Class A Share mutual fund transactions accounts, but generally does pay transaction charges for Platform Share mutual fund transactions. The cost to 2LC of transaction charges generally may be a factor Advisor considers when deciding which securities to select and whether or not to place transactions in the account.

The lack of transaction charges to 2LC for Class A Share purchases and sales, together with the fact that Platform Shares generally are less expensive for a client to own, presents a significant conflict of interest between 2LC and the client. In short, it costs 2LC less to recommend and select Class A share mutual funds than Platform shares, but Platform shares will generally outperform Class A mutual fund shares on the basis of internal cost structure alone. Clients should understand this conflict and consider the additional indirect expenses borne as a result of the mutual fund fees.

Independent Manager fees are not included in the Program Fee and will be charged separately. In addition, certain Independent Managers, including Natixis, do not provide services under a wrap relationship so clients will pay brokerage fees (including commissions) on those accounts.

Additional LPL Disclosures

LPL serves as program sponsor, investment advisor and broker-dealer for most of the LPL advisory programs. 2LC receives compensation as a result of a client's participation in an LPL program. Depending on, among other things, the type and size of the account, type of securities held in the account, changes in its value over time, the ability to negotiate fees or commissions, the historical or expected size or number of transactions, and the number and range of supplementary advisory and client-related services provided to the client, the amount of this compensation may be more or less than what 2LC would receive if the client participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services.

The account fee may be higher than the fees charged by other investment advisors for similar services. Clients should consider the level and complexity of the advisory services to be provided when negotiating the account fee (or the advisor fee portion of the account fee, as applicable) with 2LC. With regard to accounts utilizing third-party portfolio managers under aggregate, all-in-one account fee structures, because the portion of the account fee retained by 2LC varies depending on the portfolio strategist fee associated with a portfolio, 2LC has a financial incentive to select one portfolio instead of another portfolio.

Please refer to the relevant LPL Form ADV program brochure for a more detailed discussion of conflicts of interest.

Direct Fee Debit

Clients provide 2LC and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to 2LC. Alternatively, clients may elect to have 2LC send a separate invoice for direct payment for financial planning or consulting services. In certain circumstances, the Firm will take its fee as well as the fee for the Independent Managers and remit the Independent Manager's fee to that manager.

Account Additions and Withdrawals

Clients can make additions to and withdrawals from their account at any time, subject to 2LC's right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients can withdraw account assets on notice to 2LC, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. 2LC may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

Use of Margin

2LC can recommend that certain clients utilize margin in the client's investment portfolio or other borrowing. 2LC only recommends such borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm's fees are determined based upon the value of the assets being managed gross of any margin or borrowing.

Commissions and Sales Charges for Recommendations of Securities

Clients can engage certain persons associated with 2LC (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with 2LC.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of LPL Financial ("LPL"), can provide securities brokerage services and implement securities transactions under a separate commission-based arrangement. Supervised Persons are entitled to a portion of the brokerage commissions paid to LPL, as

well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. 2LC can also recommend no-load or load-waived funds, where no sales charges are assessed, but where the Supervised Person receives other forms of compensation. Prior to effecting any transactions, clients are required to enter into a separate account agreement with LPL.

A conflict of interest exists to the extent that a Supervised Person of 2LC recommends the purchase or sale of securities through a brokerage relationship where that Supervised Persons receives commissions or other additional compensation as a result of that recommendation (the "Brokerage Relationship"). Because the Supervised Persons receive compensation in connection with the sale of securities in the Brokerage Relationship, a conflict of interest exists as such Supervised Persons, have an incentive to recommend more expensive securities or services to clients where such Supervised Persons earn more compensation with respect to the sale of such securities through the Brokerage Relationship rather than through an advisory relationship with the Firm. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons to engage in the Brokerage Relationship are in the best interest of that client. Clients should understand that the investments made in the Brokerage Relationship are not receiving advisory services from the Firm. Therefore, the Firm does not have a fiduciary duty over the Brokerage Relationship recommendations.

Compensation for Recommending the Program

2LC has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation. A person recommending the Program will not earn more compensation than he or she would otherwise receive if a client elected another investment management program.

Item 5. Account Requirements and Types of Clients

2LC offers services to individuals, trusts, estates, charitable organizations, corporations and other business entities, and retirement and profit-sharing plans. While the Firm does not have a stated minimum fee or account size, certain LPL programs and Independent Managers will impose minimums.

Item 6. Portfolio Manager Selection and Evaluation

Clients' investment portfolios are managed either directly by 2LC or through the use of certain Independent Managers, as referenced above.

Side-By-Side Management

2LC does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

Methods of Analysis and Investment Strategies

Investment Advisors Representatives ("IARs") each employ unique methods of analysis and investment strategies that can differ from other IARs. To choose the right IAR, clients should seek information about the specific analysis and strategies of the advisor and assess the associated risk of loss. Here is some general information on the analysis and strategies used by our IARs and the risk involved with various investment types.

Charting: Analyzes market and security activity through charts to identify trends, predict their duration, and estimate reversal points.

Fundamental Analysis: Evaluates the intrinsic value of a security by considering economic and financial factors (including company, industry, and economy). It doesn't anticipate market movements, thus presenting an added risk.

Technical Analysis: Analyzes past market movements and recognizes recurring patterns to predict future price movement. Doesn't consider intrinsic value, posing a risk for securities with poor financial management.

Cyclical Analysis: Measures a security's movement against the market to predict its price movement.

Risk of Loss

The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

Market Risks

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of 2LC's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that 2LC will be able to predict these price movements accurately or capitalize on any such assumptions.

Volatility Risks

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

Cash Management Risks

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

Equity-Related Securities and Instruments

The Firm (through the Independent Managers recommended) may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often

face greater business risks.

Fixed Income Securities

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.

- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.

- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.

- Liquidity risk. Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.

- Call risk. Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.

- Prepayment risk. When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.

- Extension risk. When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential for price declines.

Mutual Funds and ETFs

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Finally, some mutual funds and ETFs may have lock-up periods that restrict an investor from selling their position for a period of time. Other mutual funds and ETFs could also have early redemption fees that are taken if the investor sells their position before a certain amount of time.

Use of Independent Managers

As stated above, 2LC selects certain Independent Managers to manage a portion of its clients' assets. In these situations, 2LC continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, 2LC does not have the ability to supervise the Independent Managers on a day-to-day basis.

Currency Risks

An advisory account that holds investments denominated in currencies other than the currency in which the advisory account is denominated may be adversely affected by the volatility of currency exchange rates.

Interest Rate Risks

Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by clients.

Voting of Client Securities

2LC does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

Item 7. Client Information Provided to Portfolio Managers

In this Item, 2LC is required to describe the type and frequency of the information it communicates to the Independent Managers, if any, managing its clients' investment portfolios. Clients participating in the Program generally grant 2LC the authority to discuss certain non-public information with the Independent Managers engaged to manage their accounts. Depending upon the specific arrangement, the Firm may be authorized to disclose various personal information including, without limitation: names, phone numbers, addresses, social security numbers, tax identification numbers and account numbers.

2LC may also share certain information related to its clients' financial positions and investment objectives in an effort to ensure that the Independent Managers' investment decisions remain aligned with its clients' best interests. This information

is communicated on an initial and ongoing basis, or as otherwise necessary to the management of its clients' portfolios.

Item 8. Client Contact with Portfolio Managers

In this Item, 2LC is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. There are no restrictions on clients' ability to correspond with 2LC. Clients can generally contact the Independent Managers managing their portfolios through 2LC by providing the Firm with written request and identification of the questions or issues to be discussed with the Independent Managers. After receiving the client's written request, 2LC, at its sole discretion, may contact the Independent Managers for the client or arrange for the Independent Managers and the client to communicate directly.

Item 9. Additional Information

Disciplinary Information

2LC has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

Other Financial Industry Activities and Affiliations

This item requires investment advisers to disclose certain financial industry activities and affiliations.

Registered Representatives of a Broker-Dealer

Certain of the Firm's Supervised Persons are registered representatives of LPL and provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described above, at length.

Licensed Insurance Agents

A number of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully disclosed commissionable basis. This can be done individually or as agents of another insurance agency, including LPL. A conflict of interest exists to the extent that 2LC recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

Fees from Independent Managers

A number of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully disclosed commissionable basis. A conflict of interest exists to the extent that 2LC recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

Code of Ethics

2LC has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. 2LC's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non- public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of 2LC's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g*., initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact 2LC to request a copy of its Code of Ethics by contacting the Firm at the phone number on the cover page of this brochure.

Account Reviews

2LC monitors client portfolios on a continuous and ongoing basis and regular account reviews are conducted on at least an annual basis. Such reviews are conducted by the Firm's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with 2LC and to keep the Firm informed of any changes thereto.

Account Statements and General Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from 2LC or an outside service provider.

Client Referrals

In the event a client is introduced to 2LC by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from 2LC's investment management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, the client will receive a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of 2LC is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

Receipt of Economic Benefit and Brokerage Practices

2LC recommends that clients utilize the custody, brokerage and clearing services of the Custodians for investment management accounts. The final decision to custody assets with the Custodians is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Because of the relationship between the Firm and LPL, the Firm may require clients to engage LPL for the brokerage and clearing services.

The Custodians are generally compensated by clients through commissions, trails, or other transaction- based fees for trades that are executed through the Custodians or that settle into Custodians' accounts. For IRA accounts, LPL generally charges account maintenance fees. In addition, the Custodians can also charge clients miscellaneous fees and charges, such as account transfer fees. LPL charges 2LC an asset-based administration fee for administrative services provided by LPL. Such administration fees are not directly borne by clients, but may be taken into account when 2LC negotiates its advisory fee with clients. For a description of fees and charges that are not included in the Firm's fees under the Program, see the "Other Charges" section in Item 4, above.

Factors which 2LC considers in recommending the Custodians or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The Firm's recommendation of Custodians complies with the Firm's duty to obtain "best execution." In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness.

The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because 2LC does not have to produce or pay for the products or services.

2LC periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

2LC receives support services and/or products from Custodians, many of which assist the Firm to better monitor and service program accounts maintained at Custodians; however, some of the services and products benefit 2LC and not client accounts. These support services and/or products may be received without cost, at a discount, and/or at a negotiated rate, and may include the following from one or more of Custodians:

- investment-related research

- pricing information and market data
- software and other technology that provide access to client account data
- compliance and/or practice management-related publications
- consulting services
- attendance at conferences, meetings, and other educational and/or social events
- marketing support
- computer hardware and/or software
- other products and services used by the Firm in furtherance of its investment advisory business operations

Custodians may provide these services and products directly, or may arrange for third party vendors to provide the services or products to 2LC. In the case of third party vendors, Custodians may pay for some or all of the third party's fees.

These support services are provided to 2LC based on the overall relationship between 2LC and Custodians. It is not the result of soft dollar arrangements or any other express arrangements with Custodians that involves the execution of client transactions as a condition to the receipt of services. 2LC will continue to receive the services regardless of the volume of client transactions executed with Custodians. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by the 2LC to Custodians or any other entity to invest any specific amount or percentage of client assets in any specific securities as a result of the arrangement. However, because 2LC receives these benefits from Custodians, there is a conflict of interest. The receipt of these products and services presents a financial incentive for 2LC to recommend that its clients use Custodians' custodial platform rather than another custodian's platform.

Custodians also make available to 2LC other services intended to help the Firm manage and further develop its business. Some of these services assist 2LC to better monitor and service program accounts maintained at Custodians, however, many of these services benefit only 2LC, for example, services that assist the Firm in growing its business. These support services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by 2LC in furtherance of the operation and development of its investment advisory business.

The products and services described above are provided to 2LC as part of its overall relationship with Custodians. While as a fiduciary 2LC endeavors to act in its clients' best interests, the receipt of these benefits creates a conflict of interest because the Firm's recommendation that clients custody their assets at LPL is based in part on the benefits received and not solely on the nature, cost or quality of custody or brokerage services provided by Custodians. 2LC's receipt of some of these benefits may be based on the amount of advisory assets custodied on the Custodians' platforms.

Charles Schwab Disclosures

There is no direct link between 2LC's participation in Charles Schwab's institutional customer program and the investment advice it gives to its clients, although 2LC receives economic benefits through its participation in the program that are typically not available to Charles Schwab retail investors. Additionally, 2LC may receive the following benefits from Charles

Schwab through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. The Firm also has the ability deduct advisory fees directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to the Firm by third party vendors. Charles Schwab may fund business consulting and professional services received by 2LC's related persons.

Some of the products and services made available by Charles Schwab through the program may benefit 2LC but not its client. These products or services may assist 2LC in managing and administering client accounts, including accounts not maintained at Charles Schwab. Other services made available by Charles Schwab are intended to help 2LC manage and further develop its business enterprise. The benefits received by 2LC's participation in the program do not depend on the amount of brokerage transactions directed to Charles Schwab.

Loans and Other Benefits Received by the Firm or Supervised Persons from LPL

The Firm receives other benefits from LPL. Some of the benefits are available to any investment adviser utilizing LPL services. Others may only be available due to the Firm's relationship with LPL. LPL has and will provide forgivable loans to certain Supervised Persons of the Firm. The loan payments repayable by the Supervised Persons are forgiven over time so there is an incentive for the Firm to maintain its relationship with LPL as custodian for advisory clients as well as the Supervised Persons maintaining their registered representative status in their individual capacity. LPL will also provide the Firm with financing in order to purchase other advisory businesses or recruit investment adviser representatives.

The receipt of the loans and financing creates conflicts of interest relating to 2LC's advisory business because it creates a financial incentive for the Firm and its Supervised Persons to recommend clients maintain their advisory or brokerage accounts with LPL. 2LC seeks to mitigate these conflicts of interest by evaluating LPL's services to determine that the recommendation to use LPL is based on the benefits that such services provide to clients, rather than the benefits received by the Firm or its Supervised Person. As set forth above, the Firm periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution, including its recommendation of LPL. However, clients should be aware of this conflict and take it into consideration in making a decision whether to custody their assets with LPL through 2LC, or open a brokerage account with a Supervised Person as a registered representative at LPL.

Commissions or Sales Charges for Recommendations of Securities

As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of LPL. These Supervised Persons are subject to FINRA Rule 3280 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless the registered representatives give prior notice of such transactions to LPL and, in most circumstances, LPL provides written consent. Therefore, clients are advised that certain Supervised Persons are restricted to conducting securities transactions through LPL if they have not secured written consent from LPL to execute securities transactions though a different broker-dealer. Absent such written consent or separation from LPL, these Supervised Persons are generally prohibited from executing securities

LPL may have access to certain confidential information (e.g., financial information, investment objectives, transactions and

holdings) about 2LC's clients, even if client does not establish any account through LPL.

A "dually registered person" is a representative who is registered with LPL (a broker-dealer), and works for 2LC as an IAR. LPL provides new dually registered persons with various benefits and payments to help with transition costs (e.g. foregone revenues, account transfer fees, technology set-up, marketing and office expenses). The amount of transition assistance from LPL can be significant in relation to the transactions through any broker-dealer other than LPL under its internal supervisory policies.

In addition, LPL is responsible for supervising certain activities of 2LC to the extent 2LC manages assets at a broker/dealer and custodian other than LPL. LPL charges a fee to 2LC for this oversight. This presents a conflict of interest in that 2LC has a financial incentive to recommend that clients maintain their accounts with LPL rather than another custodian in order to avoid the oversight fee.

The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

IAR's prior firm's revenue. Payments are usually based on the IAR's prior firm's business size or assets under custody on the LPL platform.

These transition assistance payments and benefits create a conflict of interest for the Firm as they incentivize the Firm and the IARs to recommend LPL. The Firm mitigates these conflicts by evaluating and recommending LPL based on its benefits to clients, not the payments and benefits to the Firm and IARs.

Trade Aggregation

Transactions for each client will be effected independently, unless 2LC decides to purchase or sell the same securities for several clients at approximately the same time. 2LC may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among 2LC's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which 2LC's Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. 2LC does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion

of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Custody

2LC is deemed to have custody of client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.

In addition, as discussed in Item 13, 2LC will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from 2LC. Any other custody disclosures can be found in the Firm's Form ADV Part 1.

Financial Information

2LC is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than $1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.