

## ***Part 2 ADV***

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This brochure provides information about the qualifications and business practices of Lodestone Wealth Management. If you have any questions about the contents of this brochure, please contact us at (509)413-2386. 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 Lodestone Wealth Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Being a 'Registered Investment Adviser' does not imply any certain level of skill or training.**

## **Item 2: Material Changes**

Feb 2011: There are no material changes contained in this brochure since our last annual update other than the change of format to ADV Part 2 as required by the SEC and States of Washington & Idaho.

June 2011: There are no material changes contained in this brochure since our last annual update.

Aug 2011: There are material changes contained in this brochure since our last update. (Item 5, Item 7)

Feb 2012: There have been no material changes in this brochure since our last update. (8/2011)

Jan 2013: There have been no material changes in this brochure since our last update. (8/2011)

July 2013: There are material changes contained in this brochure since our last update. (Item 10, Item 11)

Jan 2014: There have been no material changes in this brochure since our last update. (7/2013)

Mar 2014: There are material changes in this brochure since our last update. (Item 19)

Jan 2015: There have been no material changes in this brochure since our last update. (3/2014)

Jan 2016: There have been no material changes in this brochure since our last update. (3/2014)

Jan 2017: There have been no material changes in this brochure since our last update. (3/2014)

Jan 2018: There are material changes contained in this brochure since our last update. (Item 4, Item 5, Item 11, Item 13)

Jan 2019: There have been no material changes in this brochure since our last update. (1/2018)

Jan 2020: There are material changes contained in this brochure since our last update. (Item 5-B)

Mar 2020: There are material changes contained in this brochure since our last update. (Item 5)

June2020: There are material changes contained in this brochure since our last update. (Item 4, Item 5, Item 7, Item 12, Item 14, Item 19)

Nov2020: There are material changes contained in this brochure since our last update. (Item 4, Item 5, Item, 7, Item 13)

Apr 2021: There are material changes contained in this brochure since our last update. (Item 4))

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#### **Item 4: Advisory Business**

##### **A. Business Owner/s**

Lodestone Wealth Management is a Registered Investment Advisory. The firm has operated since its inception in October 2009. Daniel Murphy is 50% owner, Andrew McDirmid is 50% owner. Lodestone Wealth Management is referred to in this document as “Lodestone Wealth Management, “the Company”, “us”, “we”, or “our”. In this document we refer to current and prospective clients as “you”, “client”, or “your”.

##### **B. Services**

We provide investment supervisory services and financial planning for our clients on an individualized basis. All client portfolios are reviewed to ensure allocations and portfolios are in line with their goals and objectives; whether they are managed directly by us, a third-party manager or in the Schwab Institutional Intelligent Portfolios Platform.

We may from time-to-time, but are not obligated to, use the services of a third-party investment advisor to develop and implement investment advice for our clients. In these cases, we do not actively manage client investment accounts, but rather we oversee the portfolio management services of one or more third party investment advisers including affiliated and unaffiliated investment advisers whose programs and investment strategies have been reviewed by us. We also determine which program(s) and/or strategies are most appropriate for each of our clients, based upon the client’s individual circumstances and needs and investment objectives. Large, fixed income portfolios may be referred to SNW Asset Management, an independent third-party investment advisor. Equity portfolios may be referred to firms such as Smead Capital Management or JP Morgan Asset Management, both independent third-party advisors. All investment advisors may charge the clients account.

We also offer an automated investment program (the “Program”) through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds and mutual funds (“Funds”) and a cash allocation. The client may instruct us to exclude up to three Funds from their portfolio. The client’s portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. (“CS&Co”). We use the Institutional Intelligent Portfolios® platform (“Platform”), offered by Schwab Performance Technologies (SPT), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together “Schwab”). We, and not Schwab, are the client’s investment advisor and primary point of contact with respect to the Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform which consists of technology and related trading and account management services for the Program. The Platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the “System”). Based on the information a client provides to us, we will recommend a portfolio via the System. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the

recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

We charge clients a fee for our services as described in Item 5 Fees and Compensation. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, SSB, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative services fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™, Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution.

**C. Services to Individual Clients**

Lodestone Wealth Management offers individualized advisory services and financial planning to its clients. Each client, upon account opening, fills out a Client Profile giving us insight to each clients' financial information, objectives, and tolerances. You may discuss investment products you wish to use and wish to not use at any time. Portfolios are continuously reviewed to ensure compliance with each clients' instructions.

**D. Assets Under Management**

As of 12/31/2020 we manage \$129,146,664 of clients' funds, all on a Discretionary Basis.

**Item 5: Fees and Compensation**

**A. Fees**

Lodestone Wealth Management charges quarterly management fees to each account. This management fee is based on the dollar value of the account on the last day of each quarter and charged in advance of the services being provided. Fees may be calculated on a graduated basis (e.g., an account with a value of \$1,000,000 will pay an annual fee of 1.25% on the first \$500,000 and 1.0% on the asset value from \$500,000 to \$1,000,000), a flat percentage rate or a flat dollar amount.

**Management fees are negotiable.** Graduated rate example:

Assets Under Management		
\$0	to \$500,000	1.25%
\$500,001	to \$2,500,000	1.00%
\$2,500,001	to \$5,000,000	0.75%
\$5,000,001	and above	Negotiable

Each client’s specific annual fee arrangement will be described in the written Investment Advisory Agreement entered into between Lodestone Wealth Management and you. All clients do not pay the same fee. Clients have the option of having fees deducted directly from each account or submitting a check for payment of fees each quarter. Reasons for reduced fees will be noted in Addendum 1 of the agreement. As of December 31, 2014, we deduct fees from 100% of clients’ accounts.

Financial planning fees will depend on the scope and complexity of your plan. Lodestone Wealth Management may waive the financial planning fees for those who become clients with assets under our management.

Valuation of Publicly Traded Securities: Publicly traded securities in your accounts(s) managed by us are held at the custodian that we recommend, but who is ultimately chosen by you. We use the securities valuation provided by the independent qualified custodian for reporting and billing purposes. Publicly traded securities are usually valued as of the end of business on the last trading day of the calendar quarter.

**B. Transaction Fees**

The client pays no commission or trading fees on any trades to Lodestone Wealth Management. However, the custodian may assess trading fees as follows:

	Equity Trading Costs		Mutual Fund Trading Costs		
Charles Schwab	\$0.00 for Household Balances of \$1,000,000 or more or Account set up for electronic delivery	\$4.95 for Household Balances below \$500,000 and Account is NOT set up for electronic delivery	\$0.00 for NTF mutual funds (Non-Transaction Fee)	Transaction Fee Funds	
				\$24.00 - \$49.99 depending on the fund family and regardless of household balance or delivery method	
TD Ameritrade	\$0.00 for Household Balances of \$500,000 or more or Account set up for electronic delivery	\$6.95 for Household Balances below \$500,000 and Account is NOT set up for electronic delivery	\$0.00 for NTF mutual funds (Non-Transaction Fee)	Transaction Fee Funds	
				\$24.00 for Household Balances of \$500,000 or more or Account set up for electronic delivery	\$31.00 for Household Balances below \$500,000 and Account is NOT set up for electronic delivery

Advisor or Custodian may amend any of the above fees with 30 days prior written notice to client. Upon amendment Client and Advisor must sign an amended or newly executed management agreement. Some fees may be negotiable under certain circumstances.

As described in Item 4, clients do not pay SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, SSB, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative services fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™, Schwab Funds® and Laudus

Funds® that we select to buy and hold in the client’s brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client’s brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution. Brokerage arrangements are further described in Item 12 Brokerage Practices.

**C. Fee Payment and Refunds**

Client accounts(s) are charged their quarterly fee in advance before services are performed. In cases when the advisory agreement does not span the full billing period, fees are prorated from the date of inception through the date of termination based on the account value. The total quarterly fee is reduced by the number of days remaining in the quarter at time of termination. The Client may terminate the advisory agreement at any time with notice to the advisory at their main office, given in Section 13 of the Investment Advisory Contract.

**D. Mutual Fund Fees**

The above referenced fees do not include brokerage commissions and other costs related to the execution of transactions on behalf of clients. Such costs will be paid by advisor clients in addition to the fees discussed above. Moreover, mutual funds that are held by advisory clients will bear their own internal transaction and execution costs, as well as directly compensate their investment managers, along with internal administrative services. Some mutual funds pay 12(b)1 fees, distribution fees, and/or shareholder services fees to broker/dealers that offer such mutual funds to their clients. These charges affect the Net Asset Value of these mutual fund shares and are thus indirectly borne by the mutual fund shareholders such as a Lodestone Wealth Management client. This practice may present a conflict of interest and may provide an incentive to recommend investment products based on the compensation received. It is disclosed to Clients at account opening that 12(b)1 fees may be received by advisors. It is also disclosed that all funds through the advisory are purchased as “no-load” funds.

Lodestone Wealth Management in no way whatsoever charges extra for solicitors or other referrals. Clients have the option to purchase investment products that Lodestone Wealth Management has recommended through other brokers or agents that are not affiliated with Lodestone Wealth Management.

**Item 6: Performance Based Fees, Side-by-side Management**

**A. Performance Fees**

Lodestone Wealth Management does not charge fees that are based upon a share of capital gains or capital appreciation of clients’ assets.

**B. Side-by-side Management**

We provide investment advisory services to other clients in addition to you. Not all clients receive the same investment advice, nor do they pay the same fee. We strive to act in the best interest of each of our clients at all times.

## **Item 7: Types of Clients**

Lodestone Wealth Management generally provides investment advice to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, and corporations or business entities other than those listed here. We generally require a minimum of \$5,000 but do reserve the right to waive that minimum.

Third-party managers generally provide services to individuals (taxable and retirement accounts), trusts, estates, charitable organizations, and corporations or business entities other than those listed here. Account minimums vary by manager.

Clients eligible to enroll in the Schwab Institutional Intelligent Portfolios include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1975 (ERISA) are not eligible for the Program. The minimum investment required to open or convert an account in the Program is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

## **Item 8: Methods of Analysis and Investment Strategies; Risks of Loss**

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

We use Fundamental Analysis to formulate investment advice, looking at financial information and health of securities based on the overall state of the economy. Also used are the following investment strategies: Long term purchases (securities held at least 1 year), Short term purchases (securities held less than 1 year), and Trading (securities may be held less than 30 days). Investing using our analysis and strategies does not guarantee against risk and possible loss of capital. Investing in any security involves risk and possible loss of capital that clients should be prepared to bear.

### **B. Risks of Loss**

Asset Class Risk: Securities in your account(s), or in underlying investments such as mutual funds, may under perform in comparison to the general securities markets or other asset classes.

Equity Securities Risk: Equity securities are subject to changes in value that may be attributable to market perception of a particular issuer or general stock market fluctuations that affect all issuers. Investments in equity securities may be more volatile than other types of investments.

Growth Securities Risk: Growth companies are companies whose earnings growth potential appears to be greater than the market, in general, and whose revenue growth is expected to continue over an extended period. Stocks of growth companies or “growth securities” have market values that may be more volatile than those of other types of investments. Growth securities typically do not pay a dividend.

Issuer Risk: Your account(s) performance depends on the performance of individual securities in which your account invests. Any issuer may perform poorly, causing the value of its securities to decline. Poor performance may be caused by poor management decisions, competitive pressures, changes in technology, disruptions in supply, labor problems or shortages, corporate restructurings,



fraudulent disclosures, or other factors. Changes to the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline.

*Management Risk:* The performance of your accounts(s) is subject to the risk that our investment management strategy may not produce the intended results.

*Market Risk:* Your accounts(s) could lose money over short periods of time due to short term market movements and over longer periods of time due to market downturns. The value of a security may decline due to general market conditions, economic trends, or events that are not specifically related to the issuer of the security or to factors that affect a particular industry or industries. During a general downturn in the securities markets, multiple asset classes may be negatively affected.

*Larger Company Securities Risk:* Securities of companies with larger market capitalizations may underperform securities of companies with smaller and mid-sized market capitalizations in certain economic environments. Larger, more established companies might be unable to react as quickly to new competitive challenges, such as changes in technology and consumer tastes. Some larger companies may be unable to grow at rates higher than the faster growing smaller companies, especially during extended periods of economic expansion.

*Liquidity Risk:* A security may not be able to be sold at the time desired without adversely affecting the price.

*Regulatory Risk:* Changes in government regulations may adversely affect the value of a security. An insufficiently regulated industry or market might also permit inappropriate practices that adversely affect an investment.

*Small Company Risk:* Securities of companies with smaller market capitalization, historically, tend to be more volatile and less liquid than larger company stocks. Smaller companies may have no, or relatively short, operating histories; or be newly public companies. Some of these companies have aggressive capital structures, including high debt levels, or are involved in rapidly growing or changing industries, or new technologies, which pose additional risks.

*Value Style Investment Risk:* Value stocks can perform differently from the market as a whole and from other types of stocks. Value stocks may be purchased based upon the belief that a given security may be out of favor. Value investing seeks to identify stocks that have depressed valuations, based upon a number of factors which are thought to be temporary in nature, and to sell them at superior profits when their prices rise after the issues which caused the valuation of the stock to be depressed are resolved. While certain value stocks may increase in value more quickly during periods of anticipated economic upturn, they may also lose value more quickly in periods of anticipated economic downturn. Furthermore, there is a risk that the factors which caused the depressed valuations are longer term or even permanent in nature, and that there will not be any rise in value. Finally, there is the increased risk that such companies may not have sufficient resources to continue as ongoing businesses, which may result in the stock of such companies to become worthless.

## **Item 9: Disciplinary Information**

Lodestone Wealth Management, Dan Murphy, and/or Andrew McDirmid have no legal or disciplinary actions against them.

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

Lodestone Wealth Management has Investment Advisor Representatives (IARs) who may be registered representatives of the broker-dealer Northwest Investment Advisors, Inc. (NWIA). Some clients of Lodestone Wealth Management may also hold securities and place security transactions at NWIA. If you choose to place security transactions through any of the IARs in their role as a registered representative of NWIA, they will receive sales-based compensation (commissions) that are based upon the size of the investment or transaction and the type of security you purchase or sell. The receipt of a portion of the transaction commissions by the IAR of the investment advisory, creates a financial incentive for them to refer and recommend the affiliated broker-dealer and specific investments. The financial incentive creates a potential conflict of interest between you and us as your interest and those of the IAR might not be aligned.

The securities accounts(s) at NWIA are not covered by the investment advisory agreement with Lodestone Wealth Management.

We have arrangements with unaffiliated third parties (including other registered investment advisors) to provide certain administrative and investment analysis as well as full discretionary portfolio management with regard to clients account(s). These services that we purchased may include, but are not limited to research, due diligence on potential and existing investments, reporting, portfolio analysis and construction, and back office administration. The unaffiliated third-Lodestone Wealth Management may terminate its relationship with third-party service providers at any time.

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

### **A. Code of Ethics**

Lodestone Wealth Management has adopted a Code of Ethics that requires all employees to ensure that the Company conducts its business with the highest level of ethical standards and upholds its fiduciary duties to its clients. We have a duty to exercise our authority and responsibility for your benefit and to place our client's interest first and retain from having outside interest that conflict with the interest of our clients. Prohibited acts include, but are not limited to employing any device, scheme, or artifice to defraud, making any untrue statements of material fact, or engaging in any fraudulent, deceitful, or manipulative practice. Our controls in this area focus upon securities transactions made by our employees that have access to material information about the trading of Lodestone Wealth Management. Clients and prospective clients may contact the main office by phone, US Mail, in person or through electronic communication for a copy of our Code of Ethics.

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

Investment Advisor Representatives (IARs) of Lodestone Wealth Management may also be Registered Representatives of Northwest Investment Advisors, Inc. (NWIA). As Registered Representatives of the broker-dealer they will receive a portion of transaction commissions paid by the clients when the transactions take place at the affiliated broker-dealer. Lodestone Wealth Managements IARs may recommend to clients the purchase or sale of investment products in which they or a related entity may have some financial interest, including the receipt of compensation. Certain mutual funds (and/or their related person) in which a client may invest may make payments to broker-dealers. Such

payments may be distributed pursuant to a 12(b)1 distribution plan or pursuant to another arrangement as compensation for distribution or administration services and may be paid out of the fund's assets and ultimately borne by you, an investor in the fund. Lodestone Wealth Management and its IARs may receive such fees or other compensation to the extent permitted by applicable law. A fund that imposes a front-end sales load, but which waives that front-end sales load for purchases made on behalf of the clients account (a "Front-End Load" fund at net asset value) may bear 12(b)1 distribution service fees in excess of .25% of the account net assets invested in each fund (the maximum allowed for no load funds). The 12(b)1 fee, deferred sales charges and other fee arrangements will be disclosed upon request of the client are typically described in the applicable fund's prospectus. Because of these compensation arrangements, a potential conflict of interest exists in connection with the recommendation of particular mutual fund investments for a client's account. You are encouraged to ask us about how we are compensated for any particular investment or transaction.

**C. Personal Trading**

It is our policy to permit the firm, our employees and IARs to buy, sell and hold the same securities that our IARs also recommend to clients. We perform investment services for various clients with varying investment goals and risk profiles. As such, the investment advice may differ between clients and investments made by our IARs. We do not have an obligation to recommend for purchase or sale a security that Lodestone Wealth Management, its principals, affiliates, employees or IARs may purchase, sell, or hold. When we make a decision to liquidate a security from all applicable accounts, we will always give priority to the client's orders before those of our related or associated persons. We have procedures dealing with insider trading, employee related accounts, "front running" and other issues that may present a potential conflict when such purchases, sales or recommendations are made. In general, these policies and procedures are intended to eliminate, to the extent possible, the adverse effect on clients of any such potential conflicts of interest.

**Item 12: Brokerage Practices, Referrals, and Aggregate Trading**

**A. Brokerage Practices**

You have granted Lodestone Wealth Management the authority to, and we will in some cases, determine the broker-dealer to be used. Brokerage commission and commission equivalent rates may, from time to time, be individually negotiated, and thus a client may be charged different commissions and commission equivalent than those charged to other clients for identical transactions. These different rates may be due to, among other things, differences in the size and nature of the respective accounts. The criteria for suggesting a custodian or broker-dealer include reasonableness of commissions, and other costs of trading, ability to facilitate trades, access to client records, computer trading support, and other operational considerations. These factors are reviewed from time to time to assure the best interests of our clients are upheld. We may recommend that clients establish brokerage accounts with a specific custodian, a registered broker-dealer, to maintain custody of clients' assets and to execute trade for your accounts(s). The custodian provides us with access to institutional trading and operations services, which are typically not available to retail investors. These services are offered to independent investment advisors at no charge in exchange for keeping a minimum amount of account assets at the custodian. The Custodian's services include

research, brokerage, and custody. The Custodian offers access to mutual funds and other investments that are available only to institutional investors or require a significantly higher minimum investment. The Custodian also makes other products and services available that benefit us but may not benefit our clients. Some of these other products and services help us manage and administer client accounts, and include software and other technology; provide access to client account data (such as trade confirmations and account statements, facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our fees from your accounts(s), and help with back-office support, recordkeeping and client reporting. These services may be used with all or a substantial number of clients' accounts, including accounts not maintained at the Custodian. Some of the products or services provided by the Custodian do not qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934, including those services that do not aid in investment decision making or trade execution. These business management and development services, in addition to those listed above, may include consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, the Custodian may use independent third parties to offer these services to us. The Custodian may discount or waive fees it would otherwise charge for some of these business management and development services or pay all or a part of the fees to a third-party providing these services to us. Because we receive discounts, research, products or services we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research, products or services, rather than in the client's interest in receiving most favorable execution. The Custodian or broker-dealer recommended by us may charge commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for services and benefits.

Client account enrolled in the Institutional Intelligent Portfolios ("Program"), are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its accounts with CS&Co. by entering into a brokerage account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for Funds across accounts enrolled in the Program, including both account for our clients and accounts for clients of other independent investment advisory firms using the Platform.

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. Through Schwab Advisor Services, CS&Co. provides us and our clients, both those enrolled in the Program and our clients not enrolled in the program, with access to its institutional brokerage services- trading, custody, reporting, and related services- many of which are not typically available to CS&Co. retail customers. However, certain retail customers may be able to get institutional brokerage services from Schwab without going through us. CS&Co. 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. CS&Co.'s support services described below are generally available on an unsolicited basis we don't have to request them) and at no charge to us. The availability to us of CS&Co.'s products and services is not based on us giving particular investment

advice, such as buying particular securities for our clients. Here is a more detailed description of CS&Co.'s support services:

CS&Co.'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. CS&Co.'s services described in this paragraph generally benefit the client and the client's account.

CS&Co. also makes available to us other products and services that benefit us but do not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co. 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; and
- Assist with back-office functions, recordkeeping, and client reporting

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

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

CS&Co. provides some of these services itself. In other cases, it will arrange for third party vendors to provide the services to us.

The availability of services from CS&Co. benefits us because we do not have to produce or purchase them. We do not have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co. in trading commissions or assets in custody. With respect to the Program, as described above under Item 4, we do not pay SPT fees for the Platform so long as we maintain \$100 Million in client assets in accounts at CS&Co. that are not enrolled in the Program. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of CS&Co. as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of CS&Co.'s services and not Schwab's services that benefit only us.

Lodestone Wealth Management does not use Soft Dollar Benefits.

**B. Brokerage Client Referrals**

Lodestone Wealth Management does not receive referrals from broker-dealers it chooses to conduct business with.

**C. Aggregate Purchase/Sale of Securities**

When applicable, Lodestone Wealth Management, does aggregate client securities to buy or sell in larger “blocks”.

**Item 13: Review of Accounts**

**A. Account Review**

Lodestone Wealth Management client accounts are downloaded daily into our review programs and reviewed continuously by each clients IAR. Accounts are reviewed using Morningstar Office, Custodian websites and other programs to ensure they still meet client objectives and tolerances. Portfolios that are managed by third-party managers will be reviewed at least quarterly. Other factors that would trigger a review would be direct contact with clients expressing concern regarding their accounts(s).

**B. Account Reporting**

Your accounts Custodian provides trade confirmations and monthly statements directly to you. Upon request we will arrange for you to receive written reports regarding your portfolio composition, a summary of all transaction within the portfolio (including expenses), realized gain & loss information, and performance information. The reports may be created and distributed by the Custodian of the portfolio assets or other third parties contracted to do so.

**Item 14: Client Referrals, Other Compensation**

Lodestone Wealth Management does not compensate anyone, related persons or otherwise, for client referrals. We have entered into agreements with various third-party investment advisors to provide investment management services for some of our client account(s). Depending on suitability, we may help you select a particular third-party investment advisor service or program. In this situation, the third-party investment advisor provides the investment advice for your account and we provide advice regarding the selection and replacement of the third-party investment advisor. Lodestone Wealth Management and/or your IAR may receive compensation from the third-party advisors for referring you to them. The form and amount of compensation is disclosed to you in a separate disclosure document provided by the third-party. The form and amount of compensation is typically equal to a percentage of the investment advisory fee charged by that investment manager or a fixed fee. Because we and our representatives receive compensation from these investment managers for referring clients, and because this compensation may differ depending on the individual agreement with each third-party investment manager, Lodestone Wealth Management and our representatives may have an incentive to recommend the investment managers that provide more favorable compensation arrangements.

We receive an economic benefit from Schwab in the form of the support and services it makes available to us. You do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the arrangements because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above under Item 12. 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.

**Item 15: Custody**

Lodestone Wealth Management does not have custody of client funds or securities except to deduct investment advisory fees from your account(s). You have authorized us to deduct periodic investment advisory fees directly from one or more of your accounts managed by us. These deductions from your account are shown on the periodic statements sent by your qualified custodian directly to you. You are encouraged to review these statements carefully and compare the amounts on the custodial statements with any statements we send, and the fee schedule outlined in your Investment Advisory Agreement.

**Item 16: Investment Discretion**

We conduct client transactions with discretionary authority on behalf of our clients. This authority is given through a limited power of attorney by you at account opening. You grant us a limited power of attorney to select, purchase, or sell securities without obtaining your specific consent within the accounts(s) you have under our management. The limited powers of attorney are granted in the written Investment Advisory Agreement entered between us. There are no restrictions upon the securities that may be purchased, sold, or held in your accounts(s) unless you provide these restrictions to us in writing.

**Item 17: Voting Client Securities**

Lodestone Wealth Management does not vote client proxies/securities. Clients will receive proxies or other solicitations directly from the Custodian or Transfer Agent. Clients can contact Lodestone Wealth Management via telephone, US mail, electronic mail, or in person for discussion of voting or a particular solicitation.

**Item 18: Financial Information**

Lodestone Wealth Management does not require pre-payment of investment advisory fees greater than \$500 and more than six months in advance.