

**WRAP FEE PROGRAM BROCHURE  
DISCLOSURE STATEMENT – SCHEDULE H  
For  
LIGHTHOUSE FINANCIAL ADVISORS, INC.**

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**This disclosure document provides Clients with information about Lighthouse Financial Advisors, Inc., (“LFA”) and the wrap fee program it utilizes. LFA contracts with Charles Schwab & Co., Inc. (“Schwab”) to provide broker/dealer services. Schwab provides a wrap fee program used by LFA, for its Clients. The following information should be considered before becoming a Client of LFA. This information has not been approved or verified by any governmental authority.**

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**BACKGROUND INFORMATION**

Lighthouse Financial Advisors, Inc. (hereinafter “LFA” or the “Firm”) is an investment advisor registered with the Securities and Exchange Commission. The Firm provides asset management services to its Clients (individually, *the “Client”*). Please contact Edward S. Kozlowski, Chief Compliance Officer, if you have any questions about this Schedule H narrative. Additional information about LFA is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for LFA is 118060.

Persons associated with LFA are registered representatives of SII Investments, Inc. (“SII”) an unaffiliated, full-service securities broker/dealer licensed under federal and state securities laws. SII is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”) and the Securities Investors Protection Corporation (“SIPC”), and a registered investment adviser.

Individuals associated with LFA will provide its investment advisory services. Such individuals are known as Investment Adviser Representatives (IARs).

**ASSET MANAGEMENT PROGRAM**

LFA offers an Asset Management Program (“Program”) whereby the Firm manages Clients account for a single fee that includes both management services and the transaction/commission costs. The Program is designed to assist Clients, both individuals, trusts, estates, charitable organizations, and corporations to clarify their investment needs and to obtain professional asset management for a convenient single “wrap fee.”

**CLIENT INVESTMENT PROCESS**

LFA will obtain the financial data from the Client and assist the Client in determining the suitability of the Program based on information obtained on a Confidential Fact-Finder. LFA provides continuous, discretionary and non-discretionary asset management services to its Clients. The investment advice varies depending upon the Client’s life situation, desires, objectives, and other preferences.

The account is managed to diversify Client’s investments and may include, but is not limited to, stocks, bonds, options, mutual funds, and money market instruments. Investments and allocations are determined and based upon the Clients predefined objectives, risk tolerance, time horizon, financial horizon, financial information, and other various suitability factors that are determined. Accounts are managed on an individualized basis. Further restrictions and guidelines imposed by Clients may affect the composition and performance of a Client’s portfolio. For these reasons, performance of the portfolio may not be identical with the average Client of LFA. On an ongoing basis, LFA reviews the Client’s financial circumstances and investment objectives and makes any adjustments to the Client’s portfolio as may be necessary to achieve the desired results.

**ACCOUNT REPORTING**

Managed accounts are continuously monitored by IARs of LFA and action will be taken in accounts where it is deemed appropriate. LFA prepares an annual progress report for Clients. Clients receive statements from their broker/dealer, mutual fund, and/or custodian, as appropriate.

**FEES AND EXPENSES OF PROGRAM**

Clients will be charged an advisory fee every calendar quarter (Fee). The Fee charged to the account is negotiable and is set forth in the agreement for services (Agreement). Upon entering into the Agreement, the Client opens a brokerage account with an independent and unaffiliated brokerage firm, such as Charles Schwab Institutional Services, a division of Charles Schwab and Co., Inc. member FINRA/SIPC (“Schwab”), among others. The brokerage firm provides advisory Clients with securities custody and execution services.

The amount of the annualized Fee is as follows:

<u>Portfolio Value</u>	<u>Annualized Fee</u>
First \$1,000,000	2.00%
Over \$1,000,000	1.00%

In certain circumstances and at the sole discretion of LFA, a flat fee may be negotiated for portfolio management services. Accounts are subject to a minimum \$2,500 annual fee.

The Fee is payable quarterly in advance. The first payment is due upon acceptance of the Agreement and is based upon the opening value of the account. The first payment will be prorated to cover the period from the date that the account is opened through the end of the current calendar quarter. Thereafter, the Fee will be based on the market value of the assets in the account on the last business day of the preceding calendar quarter as calculated by LFA.

The foregoing represents the fees the Firm generally charges. However, fees are negotiable depending upon the services the Client requires. Fees will not be charged on the basis of any securities purchased on margin. A portion of the fee charged to Clients is paid to a third party, Charles Schwab, for commission and/or transactions costs.

The Client has two options for payment of the asset management fee. The Client may authorize the account custodian to debit Client's account and credit LFA's account. Alternatively, the Client may instruct LFA to invoice the Client directly for payment. All fees debited directly from the Client's account will be noted on Client's brokerage statements.

Client may make additions to the account at any time. Additionally, Client may withdraw account assets with notice, subject to the usual and customary securities settlement procedures. No fee adjustment is made for additional deposits or partial withdrawals within a billing period.

#### **MUTUAL FUND CHARGES**

All fees paid to LFA, for investment advisory services, are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. Fees charged by mutual funds will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, the Client may pay an initial or deferred sales charge.

#### **ADDITIONAL FEES AND EXPENSES**

In addition to the aforementioned, there may be other costs assessed, which are not included in the Program Fee, such as national securities exchange fees; charges for transactions with respect to assets not executed through the custodian, costs associated with exchanging currencies; wire transfer fees; or other fees required by law. The Program may cost the Client more or less than purchasing such services separately.

The Client should consider that, depending upon the level of the Program Fee charged, the amount of portfolio activity in the Client's account, the value of services that are provided under the program, and other factors, the Program Fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

#### **TERMINATION**

The Client may terminate the Agreement within five business days of entering into the Agreement without penalty. After the five-day period, either party may terminate the Agreement, at any time, on 30 days written notice to the other party. Upon termination, any prepaid fees will be prorated to the date of termination, subject to early termination fee, and any *unearned* fees will be returned to the Client. Termination of the Agreement does not affect liabilities or obligations incurred arising from transactions initiated under the Agreement prior to such termination.

Upon termination of accounts held at Schwab, Schwab delivers securities and funds held in the account as instructed by Client, unless Client requests that the account be liquidated. After the Agreement has been terminated, transactions are processed at the prevailing brokerage rates. Client becomes responsible for monitoring their own assets and LFA has no further obligation to act or provide advice with respect to those assets

#### **SPECIFIC STRATEGY RISKS**

Certain strategies employed by the Firm may incur more risk than others may incur. The risk involved with these specific strategies should be evaluated by the Client and the IAR prior to any investment being made in

order to ensure that the Client's goals, objectives, and financial situation is such that he or she is able to bear the risks inherent to these investments.

Certain investment strategies may utilize a concentrated investment strategy. Concentrated portfolios generally hold the securities of a limited number of companies and, therefore, may be more volatile because the risk specific to each company may represent a larger portion of assets. It is likely that the performance of these portfolios will differ significantly from that of the broad equity market.

#### **EDUCATION AND BUSINESS STANDARDS**

As a general standard, each IAR of LFA must meet all examination and experience requirements of the state(s)/jurisdictions in which the person provides advisory services.

#### **EDUCATION AND BUSINESS BACKGROUND**

##### **Thomas M. Kozlowski, CFP®**

*Year of Birth:* 1961

*Formal Education After High School:*

- Utica College, B.S., Business Administration, 1983.
- College of Financial Planning, Certified Financial Planner™, 1993

*Business Background for the Previous Five Years:*

- Lighthouse Financial Advisors, Inc., President/Owner, 01/2000 to Present.
- Lighthouse Tax Services, LLC, Member, 12/2009 to Present.
- SII Investments, Inc., Registered Principal & Representative, 04/2003 to Present.
- FSC Securities Corp., Registered Principal & Representative, 11/1992 to 04/2003.
- Delta Financial Advisors, Inc., Secretary/Treasurer/Owner, 11/1992 to 12/1999.

##### **Andrew P. Wilson, CFP®**

*Year of Birth:* 1965

*Formal Education After High School:*

- Loyola College, B.A., Economics, 1988.
- College of Financial Planning, Certified Financial Planner™, 1994

*Business Background for the Previous Five Years:*

- Lighthouse Financial Advisors, Inc., Vice - President/Owner, 01/2000 to Present.
- Lighthouse Tax Services, LLC, Member, 12/2009 to Present.
- SII Investments, Inc., Investment Co. and Variable Contracts Representative, 04/2003 to Present.
- FSC Securities Corp., Investment Co. and Variable Contracts Representative, 11/1992 to 04/2003.
- Delta Financial Advisors, Inc., Secretary/Treasurer/Owner, 11/1992 to 12/1999.

##### **Edward S. Kozlowski,**

*Year of Birth:* 1964

*Formal Education After High School:*

- LeMoyne College, B.S., Accounting, 1988
- College of Financial Planning, M.S., Personal Financial Planning, 2006

*Business Background for the Previous Five Years:*

- Lighthouse Financial Advisors, Inc., Chief Compliance Officer, 07/2006 to Present.
- Lighthouse Tax Services, LLC, Member, 12/2009 to Present.
- SII Investments, Inc., Registered Representative, 07/2006 to Present.
- United Parcel Service, Finance Manager, 02/1987 to 06/2006.

#### **POTENTIAL CONFLICTS OF INTEREST**

IARs of LFA are licensed to sell securities through SII Investments, Inc. ("SII"), an unaffiliated securities broker/dealer, registered with the Securities and Exchange Commission, member of FINRA and SIPC. In this capacity, IARs are involved in the sale of securities of various types, including, but not limited to, stocks, bonds, mutual funds, and options. IARs of LFA will receive normal and customary commissions as a result of securities transactions. All Clients are always advised that they shall have total freedom to place securities transactions through any broker/dealer of their choice.

Under the rules and regulations of the FINRA, SII has obligations to maintain records and perform various

functions concerning the investment advisory activities of its registered representatives in relation to certain advisory accounts for which its registered representatives provide investment advice. These obligations require SII to coordinate with, and have the cooperation of, the account custodian Schwab.

In addition, IARs of LFA are insurance agents licensed to sell life, disability, long-term care insurance, and variable products. A list of insurance companies represented is available upon request. If a Client purchases insurance products from IARs of LFA, the IARs will receive additional compensation in the form of commissions.

If the Client chooses to implement any investment advisory recommendations through LFA, this would present a conflict of interest to the extent that IARs of LFA will receive normal and customary commissions as a registered representative or licensed insurance agent resulting from any securities or insurance transactions.

LFA is affiliated with Lighthouse Tax Services, LLC (LTS) through common control and ownership. Ed Kozlowski will primarily provide tax preparation services through LTS. LFA will contract a third party service provider or LTS directly for these services. LTS may outsource specialized services for tax or estate planning. Fees charged by LTS are separate and distinct from advisory fees charged by LFA. It is expected that Clients of LFA may become Clients of LTS and vice versa, but Clients are under no obligation to use the services of LFA, LTS, or of their associated persons.

For Clients with accounts valued more than \$200,000 LFA may provide tax services and estate planning services through LTS at no additional charge.

#### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

LFA or individuals associated the Firm may buy or sell – for their personal account(s) – investment products identical to those recommended to Clients. It is the expressed policy of LFA that employees shall not have priority in any purchase or sale over Clients' accounts.

#### **CODE OF ETHICS<sup>(1),(2)</sup>**

The Firm has adopted a Code of Ethics, the full text of which is available to Clients or potential Clients upon request. The Firm has several goals in adopting this Code of Ethics. The Firm desires to comply with all applicable laws and regulations governing its practice. Therefore, the management of the Firm has determined to set forth guidelines for professional standards, under which all associated persons of the Firm are to conduct themselves. The Firm has set high standards, the intention of which is to protect Client interests at all times and to demonstrate its commitment to its fiduciary duties of honesty, good faith, and fair dealing with Clients. All associated persons are expected to adhere strictly to these guidelines, as well as to the procedures for approval and reporting established in the Code of Ethics primarily related to personal securities transactions and violations of the Code of Ethics. In addition, the Firm maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Firm or any person associated with the Firm.

Footnotes:

<sup>(1)</sup> This investment policy has been established recognizing that some securities being considered for purchase and/or sale on behalf of LFA' Clients trade in sufficiently broad markets to permit transactions by Clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above. Records of these trades, including the reasons for the exceptions, will be maintained with LFA' records in the manner set forth above.

<sup>(2)</sup> The foregoing does not apply to certain types of securities, such as obligations of the U.S. Government, and shares in open-end mutual funds. Open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds by advisory representatives are not likely to have an impact on the prices of the fund shares in which Clients invest.

#### **CLIENT PRIVACY**

Protecting Client privacy is very important to LFA. The Firm views protecting its customers' private information as a top priority and, pursuant to the requirements of the federal Gramm-Leach-Bliley Act, the Firm has instituted policies and procedures to ensure that customer information is kept private and secure.

LFA does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a Client's account, the Firm may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

LFA restricts internal access to nonpublic personal information about the Client to those associated persons of the Firm who need access to that information in order to provide services to the Client. As emphasized above, it has always been and will always be the Firm's policy never to sell information about current or former customers or their accounts to anyone. It is also the Firm's policy not to share information unless required to process a transaction, at the request of a customer, or as required by law.

#### **REVIEW OF ACCOUNTS**

Thomas M. Kozlowski, Andrew P. Wilson, and Edward S. Kozlowski, IARs of the Firm, will monitor Client accounts on a continuous basis to ensure the advisory services provided to the Client are consistent with the Client's investment needs and objectives. The Firm will offer Clients a formal account review on an annual basis where the Client will receive a progress report. Additional reviews may be conducted upon request from the Client. Triggering factors that may stimulate a review include, but are not limited to, significant market corrections, large deposits or withdrawals from an account, and the Client's request for an additional review. Clients will receive reports, at least quarterly, from the custodian holding their funds and securities.

#### **INVESTMENT OR BROKERAGE DISCRETION**

Generally, clients grant LFA complete discretion over the selection and amount of securities to be purchased or sold for their account without obtaining their prior consent or approval. However, LFA's investment authority may be subject to specified investment objectives, guidelines and/or conditions imposed by the client. For example, a client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio, restrictions or prohibitions of transactions in the securities of a specific industry, and/or directed brokerage. Where LFA enters into non-discretionary arrangements with clients, the Firm will obtain client approval prior to the execution of a trade.

#### **SUGGESTION OF BROKER**

The Firm does not have the authority to determine, without obtaining specific Client discretionary authority, the broker or dealer to be used, or the commission rates paid. However, as previously mentioned, the Firm's IARs are registered representative(s) of SII.

The Client is under no obligation to implement investment advice, to purchase securities or insurance products through the Firm or its IARs. The Client is free to choose the sources through which to implement investment advisory recommendations. If Client chooses to use LFA's services, security transactions will be executed and the resulting security positions will be held in custody at a qualified independent custodian such as Charles Schwab & Co. Charles Schwab & Co. is under a regulatory requirement to ensure that a high standard of professional honor and just and equitable principles of trade are observed in the conduct of its business.

Associated persons who are registered representatives of SII are subject to FINRA, formerly NASD conduct Rule 3040. The Rule requires registered individuals to conform to SII's supervisory requirements when conducting securities transactions away from SII.

#### **ADDITIONAL COMPENSATION**

IARs of LFA may sell insurance products, including, but not limited to, life, health, and long-term care products, and will receive additional compensation, in the form of commissions, on the sale of such products. They may also receive commissions on the sale of securities, including 12b-1 distribution fees from investment companies (mutual funds) in connection with the placement of Clients' funds into investment companies, through their capacities as registered representatives of SII.

Associated persons of LFA may attend due diligence conferences presented by various vendors and/or wholesalers. These conferences are sometimes available to associated persons of LFA at no cost to the Firm.

**PROXY VOTING**

Independent Advisors will not be required to take any action or render any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which Client's assets may be invested. Any proxy related materials received by LFA would be forwarded to the Client.

**CLASS ACTION LAWSUITS**

From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. The Firm has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a Client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the Firm has no obligation or responsibility to initiate litigation to recover damages on behalf of Clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by Clients.

Where the Firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a Client, it would forward all notices, proof of claim forms, and other materials, to the Client. Electronic mail is acceptable where appropriate, and the Client has authorized contact in this manner.