

## Item 1: Cover Page

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# LASSUS WHERLEY

*A Subsidiary of Peapack-Gladstone Bank*

## Lassus Wherley & Associates, Inc.

### Firm Brochure

(Part 2A of Form ADV)

Updated March 27, 2019

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This brochure provides information about the qualifications and business practices of Lassus Wherley & Associates, Inc. ("LWA"). If you have any questions about the contents of this brochure, please contact LWA's Chief Compliance Officer, Karen Alvarado at 201-285-6178, toll free at 800-298-5420 or email at [Kalvarado@pgbank.com](mailto:Kalvarado@pgbank.com). 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 Lassus Wherley & Associates, Inc. also is available on the SEC's website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

Lassus Wherley & Associates, Inc. is federally registered with the SEC as a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training.

## Item 2: Material Changes

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Lassus Wherley & Associates, Inc. will update this Brochure at a minimum annually and more frequently in the event of a material change in certain information.

Lassus Wherley & Associates, Inc.'s business activities have not changed materially since the last update on March 29, 2018. However, since the March 29, 2018 Annual Amendment filing, this ADV Part 2A Firm Brochure has been materially amended: Legal Name has changed to Lassus Wherley & Associates, Inc.; Item 4. with respect to a change in principal ownership effective August 31, 2018; and Item 10. to further describe this affiliation and the potential conflict of interest that arises as a result. Please refer to Items 4. and 10. for more information in this respect.

Effective with this filing, Karen Alvarado, Senior Wealth Compliance Manager, has assumed the role of Chief Compliance Officer of Lassus Wherley from Deborah J. Rivos.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business's fiscal year, which is December 31st. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

**ANY QUESTIONS:** Lassus Wherley's Chief Compliance Officer, Karen Alvarado, remains available to address any questions that a client or prospective client may have regarding the disclosures and arrangements described in this Firm Brochure.

## Item 3: Table of Contents

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Item 1: Cover Page	1
Item 2: Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	8
Item 6: Performance-Based Fees and Side-By-Side Management	13
Item 7: Types of Clients	14
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss	14
Item 9: Disciplinary Information	16
Item 10: Other Financial Industry Activities and Affiliations	16
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	18
Item 12: Brokerage Practices	19
Item 13: Review of Accounts	21
Item 14: Client Referrals and Other Compensation	23
Item 15: Custody	23
Item 16: Investment Discretion	23
Item 17: Voting Client Securities	24
Item 18: Financial Information	24

## Item 4: Advisory Business

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Lassus Wherley & Associates, P.C. was a professional corporation formed on March 27, 1985 in the State of New Jersey and became an SEC Registered Investment Adviser Firm in July, 1986. Effective August 31, 2018, Lassus Wherley & Associates, P.C.'s legal name was changed to Lassus Wherley & Associates, Inc. ("LWA") and is principally owned by Peapack-Gladstone Bank, which is wholly owned by Peapack-Gladstone Financial Corporation. The major decisions of a strategic and administrative nature for LWA are made by Executive Officers and founders Diahann W. Lassus, MBA, CFP®, CPA/PFS, President and Clare E. Wherley, MBA, CPA, CFP®, Chief Executive Officer, and John P. Babcock, President, Peapack Private Wealth Management.

There are no intermediate subsidiaries.

LWA is a wealth management firm providing a wide range of services to individuals, couples, families, pension and profit sharing plans, trusts, estates, and charitable organizations. LWA's services include financial planning, investment management, tax preparation, trust services and family office support. LWA uses a flexible team approach to meet the needs of its clients.

LWA's compensation comes only from fees paid directly by clients. LWA does not sell products and does not accept any commissions. LWA does not accept or pay referral fees. LWA does not receive any benefits from its custodians based on securities transactions (soft dollar benefits). All professionals are required to act in the best interests of LWA's clients at all times and sign a Fiduciary Oath annually.

LWA actively seeks to avoid, or at least minimize, conflicts of interest which may exist. Assets under LWA's direct management are held by three independent qualified custodians. Although LWA does not act as a custodian of client assets, it may at times be considered by the SEC to technically have "custody" over certain types of accounts held at its custodians. However, all investment advisory firms will likely possess some unavoidable conflicts of interest. In those instances when conflicts of interest arise, LWA has adopted policies which seek to keep the best interests of its clients paramount at all times. Please see Item 15 (Custody) for more information.

Prior to engaging LWA, a proposal is sent to prospective clients outlining the issues and items to be covered and the cost, based on responses in a questionnaire and/or information gathered in meetings. Clients also receive a contractual memorandum of engagement that puts this information in writing. There is no charge up to this point. The signed memorandum confirming the terms and conditions of the engagement and receipt of the deposit (if applicable) begin the relationship.

LWA offers a variety of broad-based services. Financial planning service is available as part of the Wealth Builder and Wealth Management Programs and as an accompaniment to investment management service. Financial planning service on a standalone basis not accompanied by investment management service is generally not available unless an exception is granted by LWA. Investment management service is available as part of the Wealth Builder and Wealth Management Programs and is also available on a standalone basis.

## Financial Planning

This service includes the preparation of an initial plan for clients and depending on the program and the clients' objectives may, but is not required to, include advice in the following areas: cash flow, retirement/financial independence, education, investments, executive compensation, tax planning, insurance/risk management, estate planning, and business issues. Plans may be prepared in segments, covering perhaps two or three areas at a time depending on the client's prioritized needs. At a minimum an Investment Plan will be prepared. LWA will provide a list of recommendations to the client. The client is solely responsible for implementation (with the exception of investment management service) and is free to accept or reject any recommendation from LWA. If the client requests assistance in implementing any recommendation, LWA will provide assistance where it believes value can be added. LWA **does not** serve as an attorney or insurance agent, and no portion of LWA's services should be construed as same. Accordingly, LWA **does not** prepare estate planning documents or sell insurance products. To the extent requested by a client, LWA may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, insurance agents, etc.), including itself for tax preparation services. If LWA is asked by a client to recommend a professional (i.e., attorney, CPA, insurance agent, etc.) to assist the client with a specific need (i.e. legal matter tax preparation, insurance, etc.) LWA has a fiduciary duty to only recommend those professionals that it reasonably believes to be qualified to provide the requested service. Consistent with that fiduciary duty, LWA is also obligated to disclose any corresponding conflict of interest presented by such a recommendation. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by LWA.

**Please note:** If the client engages any such recommended professional, LWA's role shall be that of facilitator between the client and the engaged professional. If a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

It is the client's responsibility to provide LWA with all the information required to prepare a financial plan. In performing its services, LWA shall not be required to verify any information received from the client and/or from the client's other professionals or previous custodian, including cost basis, and is expressly authorized to rely thereon. LWA is not responsible for monitoring the client's personal situation or progress towards reaching the client's stated goals. Moreover, it remains the client's responsibility to promptly notify LWA if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising LWA's previous recommendations and/or services.

LWA believes strongly in the importance of building long-term relationships to achieve a better financial future. As such, financial planning service is only available as part of an ongoing investment management relationship unless an exception is granted by LWA. Although clients are, of course, free to discontinue its services at any time, LWA accepts new clients only where there is a mutual expectation of an ongoing investment management relationship.

## Investment Management

This service begins with the preparation of a written Investment Plan. This document evaluates the client's current investment strategy, considers both investment and life goals and presents the recommended strategy for management of the client's financial assets. This service provides for the ongoing individual management of the account(s), including placing orders, quarterly investment reports and other reports, and meetings as required. Investment management service can be provided for most types of accounts.

Candidates for Investment Management Service generally have investable assets at the onset of the relationship in the range of \$900,000 to \$1,500,000. The initial amount of investable assets could be less if there is a commitment to a high rate of saving.

LWA advises clients to have the Investment Plan prepared before investing money. The plan will identify the target rate of return range needed to achieve their long-term goals and objectives. If an arbitrary target rate of return range is chosen by the client, the likely result is either the assumption of unnecessary risk with a target range that is too high or not attaining long-term goals with a target range that is too low.

LWA recommends that clients hire the firm to manage their entire investment portfolio to make every effort to obtain their target rate of return range. If clients choose not to hire LWA to manage all their investable assets, then they may assume unnecessary risks or not have enough wealth to achieve their goals. A conflict of interest exists here since fees paid to LWA for investment management service are based on assets under its management. If the portfolio contains only a portion of the client's total assets LWA shall only be responsible for those assets that the client has designated to be the subject of LWA's investment management service. LWA does not generally accept clients that split accounts between various advisors.

LWA's investment strategy does not typically include market timing, purchasing individual securities or using mutual funds with active managers who try to beat their benchmarks. LWA will evaluate publicly traded investments, but primarily recommends no-load and institutional asset class mutual funds, and exchange-traded funds ("ETFs"), with low annual expense ratios and low internal transaction costs. LWA prefers to use index mutual funds but recognizes that in certain areas actively-managed mutual funds can add value.

Most mutual funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that may be recommended and/or utilized by LWA independent of engaging LWA as an investment advisor. However, if a prospective client determines to do so, he/she will not receive LWA's initial and ongoing investment management services. **Please Note-Use of DFA Mutual Funds:** The mutual funds sponsored by Dimensional Fund Advisors ("DFA") are generally only available through registered investment advisers. LWA utilizes DFA mutual funds. Thus, if the client was to terminate LWA's services, restrictions regarding transferability and/or additional purchases of, or reallocation among, DFA funds will apply.

**LWA's Chief Compliance Officer, Karen Alvarado, remains available to address any questions that a client or prospective client may have regarding the above.**

**Please note:** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment

strategy (including the investments and/or investment strategies recommended or undertaken by LWA) will be profitable or equal any specific performance level(s).

LWA represents that it and its investment adviser representatives are fiduciaries under the Employee Retirement Income Security Act (“ERISA”) or described in section 4975(e) (1) (A) of the Internal Revenue Code (the “Code”), or both, with respect to any investment advice provided by LWA or its investment adviser representatives or with respect to any investment recommendations regarding a Retirement Plan subject to ERISA or participant or beneficiary account.

**Please Note: Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer’s plan, if permitted, (ii) roll over the assets to the new employer’s plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account (“IRA”), or (iv) cash out the account value (which could, depending upon the client’s age, result in adverse tax consequences). If LWA recommends that a client roll over retirement plan assets not currently being managed by LWA into an account to be managed by LWA, such a recommendation creates a conflict of interest if LWA will earn an advisory fee on the rolled over assets. LWA will manage retirement plan assets in an account with LWA opened as a result of a rollover or in the existing retirement plan account.

**LWA’s Chief Compliance Officer, Karen Alvarado, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

Please see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) for more information.

### **Wealth Management Program**

This Program offers initial broad-based financial planning service with reviews and updates as required and ongoing investment management service. These services are described in more detail above.

Candidates for the Wealth Management Program generally have investable assets at the onset of the relationship in the range of \$1,500,000 and greater and extensive financial planning needs. The initial amount of investable assets could be to some extent less because the inclusion of financial planning in the services offered for one combined fee makes the program cost effective overall for clients with a lesser amount of initial investable assets who have extensive financial planning needs.

### **Wealth Builder Program**

This Program offers basic financial planning service and an ongoing target asset allocation approach to investment management service. These services are described in more detail above. Ongoing financial planning service is not included but can be provided at an additional cost.

Candidates for the Wealth Builder Program generally have investable assets at the onset of the relationship in the range of \$300,000-\$900,000 and basic financial planning needs. The initial amount of investable assets could be less if there is a commitment to a high rate of saving.

Wealth Builder candidates generally are in their 30's and 40's, are professionals or hold junior or mid-level positions where they work, and are in a career-building, asset-gathering point in their lives.

### **Additional Services**

LWA offers additional services such as executive compensation analysis and ongoing review and administrative services (e.g. bill paying, tax preparation, etc.).

LWA is able to provide trust, banking and lending services through its association with Peapack-Gladstone Bank. LWA is also able to provide trust services through National Advisors Trust. See Item 10. for a further description of these affiliations and the potential conflict of interest that arises as a result .

Please see Item 5 (Fees and Compensation) for more information.

In general, investment management service is tailored to meet the individual needs of clients. While target asset allocations are used for some clients, particularly in the Wealth Builder Program, clients can have individually-structured portfolios. LWA can also evaluate investments held in retirement plan accounts when constructing an overall investment portfolio for clients. Clients can impose reasonable restrictions on investing in certain securities or types of securities as documented in the Investment Policy Statement.

LWA does not participate in any wrap-fee programs.

As of December 31, 2018, LWA provided advice on approximately \$509,801,111 of financial assets for approximately 347 clients. All assets are managed on a discretionary basis.

## **Item 5: Fees and Compensation**

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LWA's fees are based on a percentage of assets under management, hourly charges and fixed fees. Fees are generally non-negotiable. Unless otherwise agreed to in writing, fees for all services provided are based on the corresponding standard fee schedule. If based on initial assets under management the calculated fee is less than the minimum fee, paying the minimum fee will result in a higher percentage of assets paid than the highest percentage reflected in the standard fee schedule.

### **Financial Planning**

Fees are determined using the time and expertise required based on standard hourly rates. The following standard fee schedule would apply primarily to investment management-only clients who later choose to engage LWA for financial planning service since financial planning is not included in the fee for investment management service.



Principal	\$500
Senior Wealth Planner	300
Senior Tax Advisor	275
Financial Planner	225
Tax Advisor	225
Associate Financial Planner	175

The minimum fee for the financial plan is \$5,000. Fees could range from \$5,000 up to \$15,000 or more based on the complexity of the client's circumstances. LWA estimates the hours required by reviewing the completed questionnaire and documents provided, obtaining an understanding of the client's objectives, concerns and issues, and identifying all the areas that should be addressed in the financial planning process. The hours required to complete a plan will vary based on the complexity of the engagement and the number of areas to be addressed in the plan. These fees are established based on cost and are subject to change with thirty days' written notice to the client.

### Investment Management

Fees for investment management are based on a percentage of assets under management or minimum fee according to the following standard fee schedule:

#### ■ Minimum Annual Fee: \$10,000

<i>Assets Under Management</i>	<i>Annual Fees</i>
\$ 0 to \$ 2,000,000	.90% of assets
\$ 2,000,001 to \$ 5,000,000	\$ 18,000 <u>plus</u> .75% of assets over \$2,000,000
\$ 5,000,001 to \$ 10,000,000	\$ 40,500 <u>plus</u> .50% of assets over \$5,000,000
\$ 10,000,001 to \$ 25,000,000	\$ 65,500 <u>plus</u> .40% of assets over \$10,000,000
\$ 25,000,001 and above	\$125,500 <u>plus</u> .20% of assets over \$25,000,000

### Wealth Management Program

Fees for initial broad-based financial planning service with reviews and updates as required and ongoing investment management service are based solely on a percentage of the assets under management or minimum fee according to the following standard fee schedule:

Minimum Annual Fee: \$15,000

<i>Assets Under Management</i>	<i>Annual Fees</i>
\$ 0 to \$ 2,000,000	.90% of assets
\$ 2,000,001 to \$ 5,000,000	\$ 18,000 <u>plus</u> .75% of assets over \$2,000,000
\$ 5,000,001 to \$ 10,000,000	\$ 40,500 <u>plus</u> .50% of assets over \$5,000,000
\$ 10,000,001 to \$ 25,000,000	\$ 65,500 <u>plus</u> .40% of assets over \$10,000,000
\$ 25,000,001 and above	\$125,500 <u>plus</u> .20% of assets over \$25,000,000

Due to the high up-front cost for preparation of a broad-based financial plan, LWA may require that accounts remain on the standard fee schedule above for a minimum of 12 months.

### **Wealth Builder Program**

Fees for basic financial planning and an ongoing target asset allocation approach to investment management service are charged separately.

Fees for basic financial planning service are determined using the time and expertise required based on the following standard hourly rates:

Principal	\$500
Senior Wealth Planner	300
Senior Tax Advisor	275
Financial Planner	225
Tax Advisor	225
Associate Financial Planner	175

The minimum fee for the financial plan is \$3,500. If the plan requires analysis of more complex issues, the fee may be quoted at a higher amount. LWA reserves the right to adjust the fee accordingly if issues are uncovered after the project is started. The client will be notified prior to the start of the additional work. Ongoing financial planning service is not included in the Wealth Builder Program but can be provided for an additional fee. Fees are determined using the time and expertise required based on standard hourly rates according to the above standard fee schedule.

Fees for an ongoing target asset allocation approach to investment management service are based on a percentage of assets under management or minimum fee according to the following standard fee schedule:

**Minimum Annual Fee: \$3,000**

<i>Assets Under Management</i>	<i>Annual Fees</i>
\$ 0 to \$ 300,000	1.50% of assets
\$ 300,001 to \$ 650,000	\$ 4,500 <u>plus</u> 1.00% of assets over \$ 300,000
\$ 650,001 to \$ 900,000	\$ 8,000 <u>plus</u> .90% of assets over \$ 650,000

For amounts greater than \$900,000 the standard investment management fee schedule above with a minimum annual fee of \$10,000 will apply.

<u>Wealth Builder Program</u>	<u>Investment Management</u>	<u>Wealth Management Program</u>
<p>↓ ↓</p> <p>Includes Ongoing Target Asset Allocation Approach to Investment Management</p> <p>Includes Basic Financial Planning</p> <p>↓</p> <p>Ongoing Financial Planning at Additional Cost</p> <p>Financial Planning Minimum Fee: \$3,500 Investment Management Minimum Annual Fee: \$3,000</p>	<p>↓ ↓</p> <p>Includes Individually Structured Approach to Investment Management</p> <p>Financial Planning at Additional Cost</p> <p>Minimum Annual Fee: \$10,000</p>	<p>↓ ↓</p> <p>Includes Individually Structured Approach to Investment Management</p> <p>Includes Broad-Based Financial Planning</p> <p>↓</p> <p>Includes Ongoing Financial Planning as Required</p> <p>Minimum Annual Fee: \$15,000</p>

## Additional Services

Fees for ongoing executive compensation analysis and review for clients not in the Wealth Management Program are based on the number and complexity of benefits being tracked and monitored, and the value added. LWA will be compensated for these services based on a fee structure mutually agreed upon between LWA and the client at the beginning of the relationship.

Fees for additional services provided by LWA such as other administrative services (e.g. bill paying, tax preparation, etc.) are priced based upon the time and expertise required. Fees are

billed and are due at the completion of the work unless prior arrangements are made. Overdue invoices may be charged 1½ percent per month on the unpaid balance.

Peapack-Gladstone Bank's fees are charged independently of, and are in addition to, LWA's fees. National Advisors Trust custody and trust administration fees are charged independently of, and are in addition to, LWA's fees. Fees are annual rates, based on the average amount of assets in the trust and are charged pro rata on a monthly basis. LWA does not receive any portion of these fees.

For financial planning service where charges are based on hourly rates, fees are billed. A good faith deposit of 50% of the estimated fee is required at the beginning of the plan. The remainder is due at the completion of the plan unless prior arrangements are made. Overdue invoices may be charged 1½ percent per month on the unpaid balance.

For investment management service and accounts in the Wealth Management Program where charges are based on assets under management, fees are paid quarterly in advance. The amount of the quarterly fee is equal to one quarter of the annual percentage rate determined by the amount of assets under management in the client's account (including both securities and cash) as of the last day of the previous calendar quarter. Fees are payable at the beginning of the following quarter. LWA deducts the fee from account(s) managed by LWA. Clients will receive prior notification of the amount of the fee to be deducted from their account(s).

For new clients, investment management service begins on the contract date, which is the date the client signs the contract unless an exception is granted by LWA. When investment management services commence on anything but the first day of a calendar quarter, the fee for the initial quarter shall be prorated. If all anticipated assets have not been received on the last day of the initial quarter, the first fee will be at least the minimum quarterly fee. When management services terminate on anything but the last day of a quarter, the fees for the final quarter shall be prorated. When assets in the amount of \$100,000 or greater are added during a billing quarter, an additional fee for those assets will be assessed and added to the fee due for the next billing cycle on a pro-rated basis (i.e., based upon the number of days the additional assets were part of the account during the prior billing quarter). Conversely, when assets in the amount of \$100,000 or greater are withdrawn during a billing quarter, the fee previously charged for those assets will be deducted from the fee due for the next billing quarter on a pro-rated basis.

An engagement may be cancelled without any charge or penalty within the first 5 days after signing the account-opening memorandum of engagement. An engagement with LWA may be terminated at any time by either the firm or the client giving written notice to the other of termination.

For financial planning service, clients may cancel the engagement at any time prior to the completion of the plan and the 50% good faith deposit minus any incurred costs will be refunded.

Due to the high cost of set-up and up-front processing, LWA may require an initial twelve (12) month commitment for investment management service. If clients terminate their engagement with LWA during the first year, no part of the advance quarterly fee will be refunded and clients

may be subject to the minimum annual account fee. If clients terminate their engagement after one year, for any reason, the advance fee for that quarter is prorated and the unearned amount of the fee is refunded.

Upon the termination of its engagement, LWA has no obligation to recommend or take any action with regard to the securities, cash or other investments in a client's account.

As stated previously, unless otherwise agreed to in writing, fees for all services provided are based on the corresponding standard fee schedule. Examples of where LWA may consider an adjustment to its standard fee schedule are:

- Where services are provided to executives covered by an agreement between LWA and a corporate employer.
- For children and certain other family members of its clients, LWA may waive the minimum fee and bill based upon the amount of assets under management.
- For accounts that are part of a relationship.
- For former employees of LWA.
- In general, current LWA employees are not charged fees on their accounts.

Fees paid to LWA for services provided are separate and distinct from other fees and expenses charged by custodians and mutual funds held in clients' accounts. LWA does not receive any portion of these other fees. Additional fees and expenses may include:

- Transaction fees on purchases or sales of certain mutual funds, stocks, bonds, and ETFs. These transaction charges are usually relatively small and are incidental to the purchase or sale of a security.
- Custody fees.
- Mutual fund management fees.
- Mutual fund transaction charges for the purchase or sale of securities within the fund.
- Other fees as disclosed in the fund's prospectus.

Please see Item 12 (Brokerage Practices) for more information.

LWA's compensation is solely from fees paid directly by clients. LWA does not receive commissions as a result of the purchase or sale of any financial product. No commissions in any form are accepted.

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

LWA does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Accounts are charged an asset-based fee or minimum fee.

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

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LWA provides investment advice to individuals, couples, families, pension and profit sharing plans, trusts, estates, and charitable organizations.

LWA does not have a minimum account size but does have minimum fees for different services and/or levels of service. LWA may waive minimum fees in certain situations.

Please see Item 5 (Fees and Compensation) for more information.

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

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LWA uses the fundamental method of security analysis.

LWA's main sources of information include financial newspapers and magazines, research materials provided by mutual fund companies and other investment firms, annual reports and prospectuses, and other filings with the SEC. Employees also attend various investment and financial planning conferences and participate on relevant conference calls. Other sources of information LWA uses include proprietary market and economic research provided by Fidelity and Schwab and mutual fund, stock and ETF research from Morningstar Office and Independent Stock Research from Argus and Standard & Poor's. LWA's selection of asset classes is based on academic research into global asset classes conducted by well-regarded authorities in their area of expertise.

LWA's Investment Committee establishes the overall investment strategies used and approves the specific mutual funds and ETFs on the Recommended List. The focus of the Investment Committee is to maintain an optimal asset allocation for its clients and to assure that LWA is using the mutual funds and ETFs that best meet the objectives established by the committee. The Investment Committee includes Diahann W. Lassus, MBA, CFP®, CPA/PFS, Chair; Dawn Brown, CFP®, Senior Wealth Planner; Jodi A. Cirignano, MBA, CFP®, CPA, Senior Wealth Planner; David Colby, Investment Analyst; Patricia Daquila, MBA, CPA, CFP®, Senior Wealth Planner; Cynthia Fusillo, MBA, CPA, Senior Tax Advisor; I. Lisa McKnight, MBA, CFP®, Senior Wealth Planner; Betty S. Thomas, ChFC®, CFP®, Senior Wealth Planner; and Laura M. Wolfe, CPA, CFP®, Senior Wealth Planner. The Investment Committee meets weekly to discuss the economy and markets, the performance of the mutual funds and ETFs on the Recommended List, and any potential changes to either the asset allocation in client portfolios or to the names on the Recommended List. One other important objective of LWA's Investment Committee is in sharing information and educating everyone on the committee to make sure all have the same understanding.

LWA uses the target rate of return range from each client's Investment Plan to develop a target asset allocation structured to achieve a rate of return within this range while minimizing unnecessary risk. Clients receive a written Investment Policy Statement which explains in detail the mutually-agreed-upon asset allocation and the expected long-term returns and risks associated with that allocation.

LWA's investment philosophy is based on Modern Portfolio Theory which holds that asset allocation is the primary determinant of portfolio performance. This theory emphasizes the use

of several different asset classes in a portfolio to reduce portfolio volatility (i.e., the standard deviation or variability of the portfolio returns) over long periods of time. LWA allocates clients' assets in an investment portfolio which is broadly diversified across nine asset classes. These asset classes are cash, U.S. fixed income, international fixed income, U.S. large cap stocks, U.S. small cap stocks, international developed market large cap stocks, hedge strategy funds, real estate, and emerging market stocks.

LWA implements clients' target asset allocation using no-load (no commissions) and institutional class mutual funds and ETFs. LWA prefers to use low-cost and tax-efficient passively-managed (index-like) mutual funds but recognizes that actively-managed mutual funds can add value. The client's target asset allocation is either one of a series developed by LWA or can be customized to meet a client's specific circumstances.

Typical portfolios will include no-load stock, bond, and money market mutual funds and ETFs. Only funds in asset classes as approved by the client's Investment Policy Statement or LWA's Investment Committee can be purchased.

Many of the funds in which LWA invests are available only to institutional investors and clients of advisers with access to these funds. Following a stringent interview process, LWA was granted access to the mutual funds of Dimensional Fund Advisors ("DFA") in 1997. DFA is a global mutual fund company with a strong background in portfolio management academic research. DFA had 407 vehicles (includes Funds, Group Trusts, Separate Accounts, and Sub-Advised Funds) and \$517.32 billion of assets under management as of December 31, 2018.

LWA is under no obligation to recommend the mutual funds of DFA to its clients. LWA recommends funds of DFA or other mutual fund companies or other investment products only when it believes they best meet the client's objectives. LWA does not provide any payment to DFA for the access provided to its clients. DFA does not pay to LWA any direct monetary compensation in order to recommend the funds of DFA.

LWA exercises discretion over the investments made in client portfolios. Some client portfolios may include some individual fixed income or equity securities. These positions were generally part of a client's investment holdings prior to becoming a client of LWA. In some of these cases, the positions are held at substantial capital gains. In these situations, LWA will attempt to reduce these holdings over time so as not to create burdensome capital gains liabilities. These positions are monitored as client portfolios are reviewed.

LWA's investment strategy is flexible enough to accommodate special situations such as low-basis stock and stock options or restricted stock units ("RSU") acquired as part of a deferred compensation plan. Any restrictions on LWA's investment authority are documented in the client's Investment Policy Statement. Even when these special situations exist, most clients give LWA permission to use its discretion in implementing their target asset allocation.

Investing in securities involves a risk of loss that clients should be prepared to bear. LWA's investment recommendations seek to limit risk through extensive global diversification and a focus on risk management. However, clients will still be subject to declines in the value of their portfolios, which can at times be dramatic.

LWA's investment philosophy is best suited for investors who are willing to work with an advisor to develop the optimal asset allocation for their needs, objectives, perceived risk tolerance, and time horizon and then stick to that asset allocation over the long term, usually a minimum of five to ten years, and preferably longer.

We believe that equities are likely to outperform fixed income investments in the future, over long periods of time. However, there can be no assurance that these results will occur over any given time period. LWA seeks to limit risks in clients' portfolios to those where it believes risks taken are justified by the potential for higher long-term returns. There are risks (including but not limited to the risk of a general stock market decline) which may be assumed in order to seek to reach the client's longer term financial goals and objectives. That being said, LWA cannot provide any guarantee that its clients' goals and objectives will be met.

Certain securities recommended, such as U.S. small- and mid-capitalization stock mutual funds, as well as emerging markets and global real estate mutual funds, possess higher levels of volatility (as individual asset classes within a portfolio). LWA may employ these securities as part of an overall strategic asset allocation for its clients when it has a reasonable belief that the risk-return relationship for these securities will benefit clients over the long term and will help them meet their long-term investment objectives.

LWA does not guarantee the future performance of the account or any specific level of performance, the success of any investment recommendation or strategy that LWA may take or recommend for the account, or the success of LWA's overall management of the account. Clients understand that investment recommendations for the account by LWA are subject to various market, currency, economic, political and business risks and LWA shall not be responsible for any adverse financial consequences to the account resulting from any investment that, at the time made, was consistent with clients' investment objectives.

Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. Therefore, it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended and/or undertaken by LWA), or any non-investment related service will be profitable, equal any corresponding indicated historical performance level(s), be suitable for a client's portfolio or individual situation, or prove successful. LWA is not a law firm and no portion of its services should be construed as legal advice.

## **Item 9: Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a prospective client's evaluation of LWA or the integrity of LWA's management. Neither LWA, nor its employees, has been the subject of any legal or disciplinary actions.

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

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LWA, nor its representatives:



- do not engage in any relationship or arrangement that is material to the advisory business or its clients.
- are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.
- are registered or have an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

Banking or Thrift Institutions. LWA is principally owned by Peapack-Gladstone Bank (“PGB”) which is wholly owned by Peapack-Gladstone Financial Corporation. PGB also owns several domestic operating subsidiaries, including PGB Trust & Investments of Delaware, which offers trust administration and related services; Peapack-Gladstone Mortgage Group Inc., which offers commercial and residential mortgage lending and related services; Peapack Capital Corporation, which is an equipment financing company, Quadrant Capital Management, which offers to its clients investment advisory services and financial planning services, and Murphy Capital Management, which offers to its clients (individual, pension and profit sharing plans, corporation, business entities, trusts, estates and charitable organizations, etc.) investment advisory services. Murphy Capital Management does not hold itself out as providing financial planning, estate planning or insurance planning services. Upon request, LWA may recommend to clients that they utilize PGB and its affiliated entities (including without limitation those entities identified above) for various banking, trust, lending, and related services. This affiliation therefore presents a potential **conflict of interest**, because LWA could have the incentive to make such a recommendation based on its intention to support its principal owner and affiliates, rather than on a particular client’s need. To mitigate this potential conflict of interest, LWA will not receive any direct compensation from PGB or any of its affiliates in exchange for such referrals. Clients are also reminded that they are not under any obligation to utilize PGB or any of its affiliated entities to provide any services whatsoever. **LWA’s Chief Compliance Officer, Karen Alvarado, remains available to address any questions that a client or prospective client may have regarding this affiliation and the potential conflict of interest.**

Lassus Wherley Ventures, owned by Diahann W. Lassus and Clare E. Wherley, has a less than 1% ownership interest in a savings and loan holding company, National Advisors Holdings, Inc. that has formed a federally chartered trust company, National Advisors Trust Company. Diahann W. Lassus and Clare E. Wherley also own shares of National Advisors Trust Company within their IRA accounts and through Lassus Wherley Capital, LLC. National Advisors Holdings, Inc. and National Advisors Trust Company are regulated by the Office of Comptroller of the Currency (“OCC”).

LWA may refer clients to National Advisors Trust Company for trust services as a low-cost alternative to traditional trust service providers. As a result of this ownership interest, any referral presents a potential conflict of interest. However, clients are not obligated to use any National Advisors Trust Company service. No referral fees are received or paid by LWA. Fees

charged by National Advisors Trust Company are separate and distinct from, and are in addition to, fees charged by LWA.

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

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LWA's Code of Ethics establishes rules of conduct for all employees. The Code is based upon the principle that LWA and its employees owe a fiduciary duty to clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid:

- Putting their personal interests ahead of clients.
- Taking inappropriate advantage of their position within LWA.
- Abusing their position of trust and responsibility through any actual or potential conflicts of interest.

LWA's Code of Ethics expresses the firm's commitment to ethical conduct which is used to guide the personal conduct of employees. This Code of Ethics describes LWA's fiduciary duties and responsibilities to its clients and sets forth standards of conduct, practices of supervising employees' personal securities transactions, a policy regarding the acceptance of gifts and entertainment, and the potential sanctions for violations of the Code. The Code of Ethics also includes LWA's policy prohibiting the use of material non-public information and protecting the confidentiality of its clients' information. LWA also requires that employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of these rules and policies may be subject to disciplinary action, up to and including termination of employment with LWA. All employees at LWA must acknowledge the terms of the Code of Ethics annually, or as amended.

Neither LWA nor any related person recommends to clients, or buys or sells for client accounts, securities in which LWA or any related person has a material financial interest.

No supervised person shall profit from the purchase and sale, or sale and purchase, of the same securities of which such person has beneficial ownership within 60 calendar days (and which are held in client accounts). Any prohibited short-term profits are subject to cancellation with the supervised person being responsible for any short-term profit.

LWA allows employees to buy or sell individual securities or ETFs ("securities") for their personal accounts identical to or different than those recommended to clients. LWA's policy states that no employee shall purchase or sell, directly or indirectly, any security on a day during which any client has a pending "buy" or "sell" order in that same security until that order is executed or withdrawn. This rule does not apply to open-end mutual funds. No employee shall put his or her own interest ahead of any client nor make personal investment decisions based on investment decisions of clients. All employees must receive approval prior to trading securities in personal accounts including those custodied at Charles Schwab unless an exception is granted by the Chief Compliance Officer or his or her designee.

In accordance with the above, to supervise compliance with the Code of Ethics, LWA requires that all employee accounts be maintained at Schwab whenever possible where account activity

can be easily monitored. For accounts not held at Schwab employees must provide initial and annual holdings reports and at least quarterly transaction reports to its Chief Compliance Officer or his or her designee. LWA's Chief Compliance Officer or his or her designee reviews all employee trades each quarter.

LWA will provide a copy of its Code of Ethics to any client or prospective client upon request.

## **Item 12: Brokerage Practices**

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LWA recommends the brokerage and custodial services of three independent qualified custodians: Charles Schwab & Company ("Schwab"), National Advisors Trust Company ("NATC") and Fidelity Investments ("Fidelity"). LWA, in consultation with the client, is responsible for selecting the custodian that will best fit the client's needs and circumstances. Trades in the account will be executed by the custodian in accordance with the fee and transaction charges schedules as agreed to by LWA and the custodian. For 401(k) accounts managed by LWA and held by the Company's custodian, trades in the accounts will be executed by the Company's custodian in accordance with the fee and transaction charges schedules as agreed to by the Company and the custodian.

Factors that LWA considers in recommending Schwab, NATC or Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with LWA, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by LWA's clients comply with LWA's duty to obtain best execution, a client may pay a commission or transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where LWA determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although LWA will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, LWA's investment management fee. LWA's best execution responsibility is limited if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

LWA seeks to use custodians who will hold clients' assets and execute transactions on terms that are most advantageous overall to the client when compared to other available providers ("best execution"). LWA considers a wide range of factors in selecting and recommending custodians including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody).
- Capability to execute, clear and settle trades (i.e. buy and sell securities for clients' accounts).

- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.).
- Breadth of available investment products (mutual funds, ETFs, etc.).
- Availability of investment research and tools that assists LWA in making investment decisions for clients.
- Quality of services.
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices.
- Reputation, financial strength and stability.
- Prior service to LWA and its other clients.
- Availability of other products and services that benefit LWA.

For the economic benefit of its clients, LWA negotiates reduced commission schedules and lower transaction fees with the custodians. LWA does not receive any portion of these commissions paid by its clients to these custodians.

LWA's Investment Committee periodically reviews the fees charged and the scope and quality of services offered by these three custodians and evaluates the performance of each custodian against these factors.

In addition to trade execution, LWA may benefit from other services provided by these custodians. These benefits are standard in a relationship with these custodians and are generally available to LWA at no charge. The availability to LWA of these products and services is not contingent upon LWA committing to these custodians any specific amount of business, either in the form of assets in custody or trading activity. Some services may include access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab's support services are provided at no charge (or at a discount as is the case with Schwab's PortfolioCenter® services) to LWA as long as its clients collectively maintain a threshold dollar amount of assets at Schwab. This threshold may give LWA an incentive to recommend that its clients maintain their accounts with Schwab, creating a potential conflict of interest. We believe that the selection of Schwab as one of LWA's custodians is in the best interests of clients and is supported by the scope, quality and price of Schwab's services. We do not believe that recommending clients collectively hold the threshold amount of assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

For our clients' accounts with a custodian, there is generally no separate and additional charge for custody services and the custodian is compensated by clients through transaction charges or other fees charged on trades the custodian executes in the account.

LWA believes that the scope and quality of services provided by the custodians is advantageous to its clients. However, they are also beneficial to LWA. As such, LWA's recommendation of its

custodians could represent a conflict of interest. LWA has addressed this conflict by considering a wide range of factors in selecting and recommending its custodians.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, LWA may receive from Schwab, NATC or Fidelity (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist LWA to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by LWA may be 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, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by LWA in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that are received may assist LWA in managing and administering client accounts. Others do not directly provide such assistance, but rather assist LWA to manage and further develop its business enterprise.

LWA's clients do not pay more for investment transactions effected and/or assets maintained at Schwab, NATC or Fidelity as a result of this arrangement. There is no corresponding commitment made by LWA to Schwab, NATC or Fidelity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

LWA's Chief Compliance Officer, Karen Alvarado, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

LWA does not have any soft dollar arrangements with its custodians.

LWA does not receive client referrals from these custodians. LWA seeks to avoid certain relationships with custodians and investment product providers which it believes might materially hamper its independence in providing advice to clients or result in clients paying higher mutual fund management, administrative or other product-related fees and costs.

LWA does not have any directed brokerage arrangements.

LWA does not aggregate (combine) the trades of its clients. All trade decisions are reviewed for near-term and long-term tax efficiency which requires individual analysis of most trading decisions. This individual analysis of trades does not lend itself to computer software programs which could aggregate trades. As a result, LWA's clients do not receive the benefits of reduced transaction fees such aggregation could provide to clients, generally.

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

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LWA reviews all client accounts periodically. LWA targets the review of client portfolios to be performed at a minimum quarterly. Although portfolios are reviewed periodically, rebalancing

occurs only when needed. All portfolios have three levels of review – system-generated trades, initial review, and final review/approval - even if no changes are being recommended.

Trades are initially generated by the system LWA utilizes for on-going portfolio management, based on the rules and parameters it has built into the system. An Investment Analyst or Financial Planner completes the initial review of the system-generated trades and recommends changes to the portfolio if needed. The Chief Investment Officer or an Investment Officer performs the final review of the recommended changes, editing these recommendations as needed, and gives approval for trades (if needed) to be placed.

Additional portfolio reviews and potential rebalancing may also occur in the following instances:

- At the request of the client, such as when special cash needs arise.
- When additional cash or securities are added to the investment portfolio.
- To effect tax loss harvesting or avoid large capital gains distributions from a mutual fund.
- After a substantial decline in the stock market generally, or a specific stock asset class, rebalancing opportunities may be presented to enhance portfolios, without preference given to a particular group of clients.
- To effect the removal or addition of a particular mutual fund investment across the client base.

LWA's clients have given it discretion over trading. This means LWA makes sales and purchases in client accounts without advance notification unless specific instructions are in place.

Clients are provided target asset allocation reports which detail any trades that are placed within their portfolios as a result of portfolio reviews, as well as any changes in the target asset allocation for the portfolio. In addition, LWA provides written quarterly investment reports to clients. Reports may also include a change-in-market-value report detailing beginning and ending balances for each account for the quarter and the factors that contributed to the change in value, and performance reports. Also, at the end of March, May, August, and December of each year, LWA's investment management clients who are not tax clients may be provided with realized gain and loss reports for taxable accounts for quarterly estimated tax purposes. It is the client's responsibility to contact their tax advisor regarding any tax consequences resulting from the management of their assets. All reports are provided to clients in paper or electronically, depending on the client's preference. All clients are provided the opportunity to use a secure online account set up by LWA to access account information contained in the various reports provided.

Please see Item 15 (Custody) for more information.

Clients may also directly access account information online where their accounts are held via the secure website of the custodian.

Ongoing financial planning reviews are conducted as needed or as stipulated in the memorandum of engagement.

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

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LWA does not provide to or accept from any person compensation for client referrals, or for providing investment advice or other advisory services to clients.

## **Item 15: Custody**

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It is LWA's policy not to accept custody of clients' securities. LWA is not granted access by its clients which would enable it to withdraw or transfer or otherwise move funds or cash from any client account to LWA's accounts or the account of any third party (other than for other purposes as explained below). This is for the safety of the assets of LWA's clients.

Clients with assets under the direct management of LWA held by its three independent qualified custodians receive periodic account statements directly from the custodian holding their assets. LWA urges its clients to carefully review the account statements from the custodian, and compare them to the quarterly or other reports LWA provides to ensure that all account transactions, including deductions for management fees, are accurate.

Although clients' assets are held at independent custodians, under the SEC's new custody rule effective March, 2010, and February 2017 guidance clarifying when advisers will be deemed to have custody with respect to Standing Letters of Authorization ("SLOA"), investment advisers may at times be considered by the SEC to technically have "custody" over certain types of accounts held at their custodians if certain conditions are met. LWA is deemed to have custody over certain types of accounts held at its custodians for the following reasons:

- SLOAs for any third-party disbursements.
- With consent, LWA deducts its fees from client accounts.
- LWA provides bill-paying services for selected clients at their request.
- LWA provides bookkeeping and/or reporting services for selected clients at their request.

## **Item 16: Investment Discretion**

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LWA has discretionary authority to manage securities in accounts on behalf of its clients. LWA has the authority to determine, without obtaining consent, the securities to be bought or sold and the amount of the securities to be bought or sold. Clients must also grant LWA trading, disbursement and fee-payment authority and discretion on each account application required by the custodian. Discretionary trading authority facilitates placing trades in clients' accounts on their behalf so that LWA may promptly implement the investment policy that its clients have approved. Discretionary authority is granted in the memorandum of engagement signed by the client at the onset of a relationship.

Clients can impose reasonable restrictions on investing in certain securities or types of securities as documented in the Investment Policy Statement.

## **Item 17: Voting Client Securities**

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LWA may have responsibility for voting proxies for portfolio securities consistent with the best economic interests of its clients. Clients can choose to vote proxies but must assume responsibility for voting all proxies for all securities held in the account(s).

LWA maintains written policies and procedures covering the handling, research, voting, and reporting of proxy voting and makes appropriate disclosures about its proxy policies and practices. LWA's policies and practices include the responsibility to monitor corporate actions, receive and vote proxies, and disclose any potential conflicts of interest, as well as making information available to clients about the voting of proxies for clients' securities and maintaining relevant and required records.

In the absence of specific voting guidelines from the client, LWA will vote proxies in the best interests of clients and vote all proxies from a specific issuer the same way for each client.

LWA will generally vote in favor of routine corporate housekeeping proposals such as the election of directors and selection of auditors, absent any conflicts of interest. LWA will generally vote against proposals that cause board members to become entrenched or cause unequal voting rights. In reviewing proposals, LWA will consider the opinion of management and the effect on management, and the effect on shareholder value and the issuer's business practices.

Employees are required to disclose any financial, business or personal interests. If a material conflict of interest exists, LWA's Chief Compliance Officer or his or her designee will determine whether it is appropriate to disclose the conflict to the affected clients to give them an opportunity to vote the proxy themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation. LWA maintains a record of the voting resolution of any conflict of interest.

LWA will provide information to clients about its proxy voting policies and procedures and how it voted a proxy upon request.

## **Item 18: Financial Information**

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LWA does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients, has never been the subject of a bankruptcy proceeding, does not require prepayment of fees of more than \$1,200 per client, 6 months or more in advance, and LWA does not serve as a custodian for client funds or securities, other than as described in Item 15 (Custody).

ANY QUESTIONS: LWA's Chief Compliance Officer, Karen Alvarado, remains available to address any questions regarding this Part 2A.