

LPL Financial

- FROM THE PRACTICE OF DAVID E. SCOTT, CFP® -

Business Philosophy and Process

INTRODUCTION. This letter is intended to provide prospective clients of the LPL Financial practice of David E. Scott, CFP® an overview of our business Philosophy and the financial advising steps we utilize in bringing on new clients to our practice. We believe in following an established process. This helps to develop consistent and high quality advice. This process includes:

1. Understanding the Client's Personal and Financial Circumstances.
2. Identify and Selecting Goals.
3. Analyzing the Client's Current Course of Action and Potential Alternative Course(s) of Action.
4. Developing the Financial Planning Recommendation(s).
5. Presenting the Financial Planning Recommendation(s).
6. Implementing the Financial Planning Recommendation(s).
7. Monitoring Progress and Updating.

We are always available for guidance, even when the markets are volatile, or you have a change in your own personal life.

SERVICES PROVIDED. The services provided (when applicable) include, but are not limited to: investment management, retirement planning, insurance planning, estate planning, education planning, and business planning.

CONFIDENTIALITY. Please see LPL's privacy policy at <https://lplfinancial.lpl.com/content/dam/lpl-www/documents/disclosures/privacy-notice-final.pdf>.

CONTINUING EDUCATION. As a CERTIFIED FINANCIAL PLANNER™ Practitioner David E. Scott, CFP®, must complete 30 hours of continuing education every two years, as well as other firm element CE hour requirements by LPL Financial.

DEVELOPMENT OF RECOMMENDATIONS. As the Client's Advisor, the LPL Financial practice of David E. Scott, CFP® agrees to review all information provided by the Client. The recommendations developed are based upon our best judgment as an investment advisor representative and results of the recommendation(s) cannot be guaranteed.

FIDUCIARY DUTY. As a CERTIFIED FINANCIAL PLANNER™ Practitioner David E. Scott, CFP®, is held to a fiduciary standard towards our clients. A fiduciary standard is a legal obligation to always act in the best interest of a client. This means that we must put the interests of our clients ahead of our own. Currently, in our industry, not all financial representatives have this standard to their clients which is why we always encourage prospective clients to ask financial representatives if they have a fiduciary duty

LEGAL/ACCOUNTING ADVICE. The LPL Financial practice of David E. Scott, CFP® is not qualified to give accounting or legal advice.

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IMPLEMENTATION OF ADVICE. The client is free to obtain legal and accounting services from any professional source to implement the recommendations our firm makes.

COMMUNICATION. Our firm will keep in contact with Client through various mailings and will request a meeting in writing at least annually to review the Client's circumstances. It is the responsibility of the Client to follow through and schedule meeting requests. If the Client wishes to review and discuss their circumstances more frequently it is the Client's responsibility to make their wishes known and by what method of communication the client desires, phone, email, or in person. Should the client's financial situation change (e.g., as a result of marriage, birth of a child, divorce, etc.) he/she is responsible for contacting the advisor as soon as possible.

FEE STRUCTURE. The LPL Financial practice of David E. Scott, CFP® preferred fee structure is to charge a quarterly advisory fee on the balance of your account(s). Advisory fees collected through LPL Financial will be determined on a per account basis, and this letter does not modify or amend those agreements. There are many factors that can influence the advisor fee that we charge such as the total amount of assets involved, the number of investment strategies utilized, the investment vehicles used, and other individual requirements.

We believe that the advisory relationship works better if our compensation is asset-based instead of commission-based. This approach more closely aligns our client's goals with our advisors. As our client's assets grow our income grows and the reverse also holds true. When investments are bought and sold in a commission-based arrangement there is a charge to the client and a commission paid to the broker. Although a commission based structure may be appropriate in some situations, one may always question whether transactions benefit the client or the broker. If a brokerage account with a commission based structure is utilized in certain situations the fees of the various investments will be discussed in detail at the time the dollars are invested.

Investment direction and objectives can change; the manager can change, performance can change, our client's needs can change and better alternatives can appear. A fee-based relationship allows us to remain flexible without commissions (fee-based account may be subject to nominal transaction costs).

In the case of insurance products, advisors are paid by commission from the insurance company. Where possible, our advisors take a "level" commission; this means we are paid on an on-going basis to provide service for the life of the product, rather than receive a large commission up-front.

Please request an advisor Fee Schedule.

INVESTMENT APPROACH. The world of investing is not what it was 40, 20, or even 10 years ago. Systems have become more complex and the needs of clients have grown. In order to account for this added complexity, our approach to money management involves a thorough understanding of our client's needs and goals. Once the reasons for making an investment are understood and clarified, a recommendation is made based on a client's risk tolerance, time horizon, and goals, taking into account income needs and tax situations. Our approach to portfolio recommendations often involves using multiple philosophies within the world of investment theory. The prominent philosophy within the financial industry is one of "buy-and-hold" (also known simply as "strategic" investing). While this may

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be an appropriate strategy for some clients, we don't believe that this is the only appropriate strategy. Where suitable, we encourage clients to adopt traditional and non-traditional philosophies of investment management within their overall portfolio. **It must be noted that no strategy or philosophy can be guaranteed to protect against market losses.**

Portfolio Expenses:

There are no upfront or deferred sales charges on advisory accounts.

OTHER COSTS. There may be other nominal costs involved depending upon the type of account and the needs of the client (e.g. non-sufficient funds fee, Roth IRA conversion fee, yearly maintenance fee, etc.) Expense ratios also apply which is the annual fee that all funds or ETFs charge their shareholders.

HOURLY CONSULTING SERVICES. Prospective clients may not be able to meet the minimum investable amount requirements, typically \$50,000, for our advisory accounts but still wish to receive investment analysis and advice. For those individuals we offer an hourly consulting option, billed in quarter hour increments at \$200.00 per hour, for services including but not limited to: investment planning, retirement planning, estate planning, cash flow/budget planning, business planning, education planning and personal financial planning. The consulting services may not include ongoing asset management or assistance with execution of securities transactions. Clients may or may not receive a written analysis or report from LPL Financial an Investment Advisor Representative.

CLIENT ASSETS. The LPL Financial SIPC Membership provides account protection up to a maximum of \$500,000 per customer, of which \$250,000 may be claims for cash. An explanatory brochure is available at www.sipc.org. Additionally, through London Insurers, LPL Financial accounts have additional securities protection to cover the net equity of customer accounts up to an overall aggregate firm limit of \$575,000,000 subject to conditions and limitations. The account protection applies when an SIPC member firm fails financially and is unable to meet obligations to securities clients, but does not protect against losses from the rise and fall in the market value of investments.

DURATION AND TERMINATION. The advisory relationship may be terminated without penalty (account closing fees will apply) at any time, upon written or verbal notice to the other, by Our Firm or the Client.

CONCLUSION: It is our hope that you have a better understanding of Our Business Philosophy and process. If you have any questions please do not hesitate to contact our office.