

# ***Loretta Nolan Associates, LLC***

## **FORM ADV PART 2A – DISCLOSURE BROCHURE**

13 Arcadia Road  
Suite 10  
Old Greenwich, CT 06870

Ph: 203-637-1402

Fax: 203-637-1472

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*This disclosure brochure provides clients with information about the qualifications and business practices of Loretta Nolan Associates, LLC. It also describes the services Loretta Nolan Associates, LLC provides as well as background information on those individuals who provide investment advisory services on behalf of Loretta Nolan Associates, LLC. Please contact Loretta Nolan, President and Chief Compliance Officer of Loretta Nolan Associates, LLC at 203-637-1402 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by the SEC or by any state securities authority. Registration does not imply that Loretta Nolan Associates, LLC or any individual providing investment advisory services on behalf of Loretta Nolan Associates, LLC possess a certain level of skill or training. Additional information about Loretta Nolan Associates, LLC 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 Loretta Nolan Associates, LLC is 126468.*

## **Item 2 – Material Changes**

This item discusses specific material changes to the Loretta Nolan Associates, LLC disclosure brochure.

Pursuant to current regulations, Loretta Nolan Associates, LLC will ensure that clients receive a summary of any materials changes to this and subsequent brochures within 120 days of the close of the firm's fiscal year which occurs at the end of the calendar year. Loretta Nolan Associates, LLC may further provide other ongoing disclosure information about material changes as necessary.

Loretta Nolan Associates, LLC will also provide clients with a new brochure as necessary based on changes or new information, at any time, without charge.

Since the date of its most recent filing (January 18, 2021) the firm has made the following material change:

## **Item 5 – Fees and Compensation**

The low range for the annual fixed fee for portfolio management has been raised to \$5,000.

The low range for the annual fixed fee for financial planning has been raised to \$5,000.

The low range for hourly fees for financial planning has been raised to \$100.

The low range for the annual fixed fee for income tax planning and preparation has been raised to \$2,000.

The low range for hourly fees for financial planning has been raised to \$100.

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## **Item 4 - Advisory Business**

### **A. The Company**

Loretta Nolan Associates, LLC is a privately-held Connecticut limited liability company that has been providing investment advisory services since June 2007. Throughout this disclosure brochure the company is referred to as "LNA". The principal owner of LNA is Loretta C. Nolan.

### **B. Advisory Services**

LNA provides the following investment advisory services:

#### Portfolio Management Services

LNA provides personalized portfolio management services which consists of giving continuous advice to a client or making investments for a client based on the individual needs of the client. Through personal discussions, during which a client's goals and objectives are established, LNA and the client determine the client's risk profile and investment guidelines. LNA will then create and manage a customized portfolio based on that risk profile. LNA will allocate the client's assets among various investments based on the client's risk tolerance. LNA's management of the client's account will be based on the client's investment objective.

LNA will create a portfolio principally comprised of individual equities, bonds, ETFs, no-load and load-waived mutual funds and other investment vehicles. LNA will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. The mutual funds will be selected on the basis of any or all of the following criteria: the fund's performance history; the industry sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances.

When appropriate to the needs of the client, LNA may recommend the use of option writing. Because this investment strategy involves a certain degrees of additional risk, it will only be recommended when consistent with the client's stated tolerance for risk.

Clients will retain individual ownership of all securities.

LNA will manage advisory accounts on a non-discretionary basis only.

#### Financial Planning Services

LNA also provides advice in the form of a financial plan. Clients purchasing this service will receive a written report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives. In general, the financial plan will address any or all of the following areas of concern:

##### ***Personal***

Family records, budgeting, personal liability, estate information and financial goals.

***Tax & Cash Flow***

Income tax and spending analysis and planning for past, current and future years. LNA will illustrate the impact of various investments on a client's current income tax and future tax liability.

***Death & Disability***

Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.

***Retirement***

Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.

***Investments***

Analysis of investment alternatives and their effect on a client's portfolio.

Financial planning is primarily an analytical process designed to organize financial data, identify needs and opportunities and evaluate alternative courses of action; it may include analysis of current net worth, income taxes, cash flow and budgeting, investments and asset allocation, retirement planning, employee benefit plan analysis, estate and gift tax planning, education pre-funding and risk management focusing on life, health and disability coverage.

In general, LNA gathers required information through personal interviews. LNA will meet with the client to conduct an evaluation of the client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are reviewed, including a questionnaire the client completes that provides relevant information and authorizations. LNA conducts a financial analysis and prepares a written plan that describes the client's current situation, identifies needs and opportunities and makes suggestions designed to help the client achieve stated goals.

While financial analyses may include investment advice concerning mutual funds and securities, it may also include investment advice with respect to products that may or may not constitute "securities," such as life insurance and annuities. It also takes into consideration estate tax planning issues that may not constitute "investment" advice. Should a client choose to implement the suggestions contained in the analysis, LNA suggests the client work closely with his or her attorney, accountant, insurance agent, and/or other financial advisor (e.g., stockbroker). Implementation of financial analysis suggestions is entirely at the client's discretion. Financial analysis suggestions are not limited to any specific product or service offered by a broker-dealer or insurance company. In performing its services, LNA shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. If requested by the client, LNA may suggest the services of other professionals for implementation services, but the client is under no obligation to engage the services of any suggested professional. In addition, each client is advised that it remains their responsibility to promptly notify LNA if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising LNA's previous recommendations and/or services.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

Typically the financial plan will be presented to the client within 120 days of the contract date, provided that all information needed to prepare the financial plan has been promptly provided by the client.

#### Consulting

Clients can also receive investment advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, reviewing a client's existing portfolio, or any other specific topic. LNA also provides specific consultation and administrative services regarding investment and financial concerns of the client. Additionally, LNA provides advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, insurance, and/or annuity advice.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

#### Income Tax Preparation And Planning

LNA also offers income tax preparation as a separate service if requested by the client.

### **C. Client Tailored Services and Client Imposed Restrictions**

LNA offers a full range of investment advisory services which can be tailored to meet the specific needs of each client. In order to provide appropriately individualized services, LNA will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

LNA will periodically review with clients their financial circumstances, investment objectives and risk profile. In order for LNA to provide effective advisory services, it is critical that clients provide accurate and complete information to LNA and inform LNA anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds or mutual funds. In addition, a restriction request may not be honored if it is fundamentally inconsistent with LNA's investment philosophy, runs counter to the client's stated investment objectives, or would prevent LNA from properly servicing client accounts.

### **D. Wrap Fee Programs**

LNA does not provide portfolio management services to a wrap fee program(s). Under a wrap fee program, advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and transaction services (e.g., execution of trades) are provided for one fee. This is different than traditional investment

management programs whereby services are provided for a fee, but transaction services are billed separately on a per-transaction basis.

## **E. Assets Under Management**

As of December 31, 2021, the total amount of client assets managed by LNA is approximately \$101,219,874. All of these assets are managed on a non-discretionary basis.

## **Item 5 - Fees And Compensation**

### **A. Advisory Fees**

Engagements may include Portfolio Management, Financial Planning, and/or Tax Preparation. Services for each component of the engagement may be charged as follows:

#### Portfolio Management Fees

Portfolio Management Services fees may be charged in one of the following ways (details of the investment advisory fee charged are more fully described in the advisory agreement entered into with each client):

1. As an annual fixed fee ranging from \$5,000 to \$25,000 based on the size of the client's account and complexity of the client's circumstances. LNA will quote an exact fee based on the nature and total dollar amount of the account. Fixed fees for Portfolio Management Services will be invoiced in advance at the beginning of each calendar quarter; or
2. As an annual asset-based fee pursuant to the following schedule:

<b>Assets under Management</b>	<b>Maximum Annual Fee (%)</b>
\$0-\$999,999	1.25%
\$1,000,000-\$2,999,999	1.00%
\$3,000,000-\$4,999,999	0.80%
\$5,000,000-\$9,999,999	0.60%
\$10,000,000 and above	0.50%

Clients will be billed in advance at the beginning of each calendar quarter, based upon the value (market value or fair market value in the absence of market value), of the client's portfolio at the end of the previous quarter. For new accounts, billing will commence upon the deposit of any funds or securities in the account. The first payment will be prorated to cover the period from the date the account is opened through the end of the next full calendar quarter.

#### Financial Planning and Consulting Fees

Financial Planning and/or Consulting Services fees will be charged in one of two ways:

1. For ongoing Financial Planning Services, clients will be charged an annual fixed fee, typically ranging from \$5,000 to \$16,000, depending on the nature and complexity of each client's circumstances. Fees for ongoing Financial Planning and Consulting

Services will be billed quarterly in advance; or

2. On an hourly basis calculated ranging from \$100 to \$400 per hour, depending on the nature and complexity of the individual client's personal circumstances. The length of time it will take to complete the financial planning or consulting service will depend on the nature and complexity of the individual client's personal circumstances. Hourly fees are due and payable upon completion of the financial plan or consulting service. An estimate for total hours will be determined at the start of the advisory relationship.

All fees are agreed upon prior to entering into a contract with the client. There is no minimum financial planning/consulting fee. A retainer may be requested upon completion of LNA's fact-finding session; provided, however, that advance payment will never exceed \$500 for work that will not be completed within 6 months.

#### Income Tax Planning and Preparation

LNA's income tax planning and preparation fees will be charged in one of two ways:

1. As a fixed fee, typically ranging from \$2,000 to \$5,000, depending on the nature and complexity of each client's circumstances.
2. On an hourly basis ranging from \$100 to \$400 per hour, depending on the nature and complexity of each client's circumstances.

Income tax planning and preparation fees are due and payable upon the completion of the service. A retainer may be requested upon completion of LNA's fact-finding session, provided, however, that advance payment will never exceed \$500 for work that will not be completed within 6 months.

#### **B. Payment Method**

There are two options a client may select to pay LNA's advisory services fees:

##### Direct Debiting

Each quarter, LNA will notify the client's qualified custodian of the amount of the fee due and payable to LNA pursuant to the firm's fee schedule and advisory agreement. The qualified custodian will not validate or check LNA's fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account the client has designated to pay LNA's advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to LNA.

##### Billing

LNA will issue the client an invoice for the firm's services and the client will pay LNA by check or wire transfer within [insert number of days] of the date of the invoice, or as negotiated and documented in the client's advisory agreement.

## **C. Additional Fees and Expenses**

### Mutual Fund Fees

All fees paid to LNA 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. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of LNA. In that case, the client would not receive the services provided by LNA which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by LNA to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

### Trading and Other Costs

All fees paid to LNA for investment advisory services are separate and distinct from transaction fees charged by broker dealers associated with the purchase and sale of equity securities and options. In addition, fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Please see the section entitled "Brokerage Practices" on page 16 of this disclosure brochure for additional information on brokerage and other transaction costs.

### Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client, will be billed directly by such professional(s).

## **D. Termination and Refunds**

A client agreement may be canceled at any time, by either party, for any reason upon five (5) days prior written notice to the other party. Upon termination of any account, any earned, unpaid fees will be due and payable and any prepaid fees will be refunded within thirty (30) days of the termination of the agreement.

## **E. Important Additional Information**

### Fee Only

LNA is compensated solely by fees paid by its clients and does not accept commissions or compensation from any other source (i.e., mutual funds, insurance products or any other investment product).

### Fees Negotiable

LNA retains the right to modify fees, including minimum account sizes, in its sole and absolute discretion, on a client-by-client basis based on the size, complexity and nature of the advisory services provided. LNA may combine related household accounts for fee calculation and minimum annual fee purposes.

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

LNA does not accept performance-based fees or engage in side-by-side management of client accounts. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. LNA's fees are calculated as described above in Item 5 - Fees and Compensation - and are not charged on the basis of a share of the capital gains upon, or capital appreciation of, the funds in a client's account.

### **Item 7 - Types of Clients**

LNA provides investment advisory services to individuals (including high net worth individuals), trusts, estates, charitable organizations, corporations and other types of business entities.

### **Engaging the Services of LNA**

All clients wishing to engage LNA for investment advisory services must first complete the applicable investment advisory agreement as well as any other document or questionnaire provided by LNA. The investment advisory agreement describes the services and responsibilities of LNA to the client. It also outlines LNA's fee in detail. In addition, clients must complete certain broker-dealer/custodial documentation. Upon completion of all these documents, LNA will be considered engaged by the client. Clients are responsible for ensuring that LNA is informed in a timely manner of changes in their investment objectives and risk tolerance.

### **Conditions for Managing Accounts**

#### Portfolio Management Services

LNA requires a minimum account size of \$1,000,000 for new advisory clients, but may reduce or waive this minimum at its sole discretion based on individual client circumstances. Accounts of less than \$1,000,000 may be set up when the client and LNA anticipate the client will add additional funds to the accounts bringing the total to \$1,000,000 within a reasonable time.

#### Financial Planning and Consulting Services

There is no minimum annual fee requirement for Financial Planning and Consulting Services.

### Income Tax Planning and Preparation Services

There is no minimum annual fee requirement for Income Tax Planning and Preparation Services.

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

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

#### Methods of Analysis

The security analysis method employed by LNA is fundamental analysis. Fundamental analysis is a method of evaluating securities by attempting to measure the intrinsic value of a stock. Fundamental analysts study the overall economy and industry conditions, the financial condition of a company, details regarding the company's product line, and the experience and expertise of the company's management. The resulting data is used to measure the true value of the company's stock compared to the current market value.

#### Investment Strategies

LNA will use all or some of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons, among other considerations:

##### *Long-Term Purchases*

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

##### *Short-Term Purchases*

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

##### *Option Writing*

An investment strategy utilizing option writing involves selling (writing) an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells (writes) an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

From time to time, LNA may recommend specific trading strategies to take advantage of income tax planning opportunities. Such strategies may include end of the year swaps or sales to recognize gain or losses for income tax purposes, as client's situations dictate. Recommendations for short-term needs will generally be limited to cash equivalents such as money market funds. LNA emphasizes, however, that its strategy is primarily long-term in nature.

### Types of Investments

Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Recommendations for new investments will typically be limited to domestic and foreign equity securities, corporate debt securities, commercial paper, certificates of deposit, municipal and United States government securities, mutual funds, variable life insurance, variable annuities, options and real estate investment trusts (REITS).

### Sources of Information

In conducting security analysis, LNA may utilize the following sources of information: financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the U.S. Securities and Exchange Commission and company press releases. LNA may also utilize other sources of information such as Morningstar, ValueLine, periodicals and journals, as well as company-generated data to perform security analysis.

### Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Management Risk.* A client's portfolio is subject to management risk because it is actively managed by LNA's investment professionals. LNA will apply its investment techniques and risk analysis in making investment decisions for a client's portfolio, but there is no guarantee that these techniques and LNA's judgment will produce the intended results.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically

reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.

- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.
- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.
- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing LNA from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic price swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.

- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### *Risks Associated with Investment Strategies*

#### Long-Term Purchases

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., "locking-up" assets that may be better utilized in the short-term in other investments).

#### Short-Term Purchases

Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.

#### Option Writing

There are numerous risks associated with transactions in options on securities or securities indexes and therefore, are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss of principal. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. For example, as the writer of covered call options, the client forgoes, during the option's life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index (e.g., the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well).

### *Risk Associated with Methods of Analysis*

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment.

LNA's securities analysis method relies on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While LNA is alert to indications that data may be incorrect, there is

always the risk that the firm's analysis may be compromised by inaccurate or misleading information.

### Fundamental Analysis

Fundamental analysis, when used in isolation, has a number of risks:

- Information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- The data used may be out of date.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- The market may fail to reach expectations of perceived value.

## **C. Risks Associated with Specific Securities Utilized**

### Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (e.g., increase the value of the company's stock price).

### Preferred Stocks

Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time. Preferred stock may also be subject to mandatory redemption provisions and an issuer may repurchase these securities at prices that are below the price at which they were purchased by the investor. Under these circumstances, a client account holding such preferred securities could lose money.

### Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (e.g., corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.

- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

### Municipal Bonds

In addition to the risks set forth under “Fixed-Income Securities” above, municipal bonds are susceptible to events in the municipality that issued the bond or the security posted for the bond. These events may include economic or political policy changes, changes in law, tax base erosion, state constitutional limits on tax increases, budget deficits or other financial difficulties and changes in the credit rating assigned to municipal issues.

### Exchange Traded Funds

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client’s portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF’s portfolio, may be considered “non-qualified” under certain tax code provisions.

### Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor’s shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries. In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client’s portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

### Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also the same risks as set forth under “Fixed-Income Securities” listed above.

### Indexed Funds

Indexed Funds have the potential to be affected by “tracking error risk” which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a “sample index” that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund’s portfolio, may be considered “non-qualified” under certain tax code provisions.

### Options

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index. For example, the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well.

### Real Estate Related Securities

Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the rate of inflation, possible lack of availability of mortgage funds, overbuilding, extending vacancies of properties, increases in competition, property taxes and operating expenses, changes in zoning laws, costs resulting from clean up of, and liability to third-parties for damages resulting from, environmental problems, casualty and condemnation losses, uninsured damages from floods, earthquakes or other natural disasters, limitations on and variations in rents and changes in interest rates. Investing in Real Estate Investment Trusts (“REITs”) involves certain unique risks in addition to those risks associated with investing in real estate in general. REITs are dependent upon the skills of management, are not diversified and are subject to cash flow dependency, default by borrowers and self-liquidation.

**Note that there may be other circumstances not described here that could adversely affect a client’s investment and prevent their portfolio from reaching its objective.**

### **D. Cash Management**

Cash in client accounts is typically held in a Schwab money market fund although when deemed advisable, a portion of the client’s cash balance may be held in a short-term bond fund. To the extent that client assets are invested in money market funds or cash positions, the fees for monitoring those assets are in addition to the fees included in the internal

expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus.

### **Item 9 - Disciplinary History**

LNA is required to disclose any legal or disciplinary events that are material to a client's or a prospective client's evaluation of the firm's advisory business or the integrity of LNA's management. Neither LNA nor any of its management persons have ever been disciplined by a regulatory agency.

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

Neither LNA nor any of its supervised persons engage in any other financial industry activities or have any other financial industry affiliations.

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

#### **Code of Ethics**

LNA has adopted a Code of Ethics to prevent violations of federal securities laws. The Code of Ethics is predicated on the principle that LNA and its employees owe a fiduciary duty to its clients. Accordingly, LNA expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws. LNA and its employees are required to adhere to the Code of Ethics. At all times, LNA and its employees must (i) place client interests ahead of LNA's; (ii) engage in personal investing that is in full compliance with LNA's Code of Ethics; and (iii) avoid taking advantage of their position. Clients and prospective clients may request a copy of LNA's Code of Ethics by contacting Loretta Nolan, President of LNA, at 203-637-1402.

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

LNA or individuals associated with LNA may buy or sell securities identical to or different from those recommended to clients for their personal accounts. As this situation may represent a conflict of interest, LNA has established the following restrictions in order to ensure its fiduciary responsibilities:

1. It is the express policy of LNA that no person employed by LNA may purchase or sell any security prior to transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.
2. A member or employee of LNA shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his/her employment unless the information is also available to the investing public upon reasonable inquiry. No person of LNA shall prefer his/her own interest to that of the advisory client.
3. LNA maintains a list of all securities holdings for itself and anyone associated with

this advisory practice with the access to advisory recommendations. These holdings are reviewed on a regular basis by Loretta Nolan, President of LNA.

4. LNA emphasizes the unrestricted right of the client to decline to implement any advice rendered.
5. LNA requires that all individuals must act in accordance with all applicable federal & state regulations governing registered investment advisory practices.
6. Any individual not in observance of the above may be subject to termination.

## **Item 12 - Brokerage Practices**

### **A. Broker Selection**

#### Best Execution

Best execution has been defined by the SEC as the “execution of securities transactions for clients in such a manner that the client’s total cost or proceeds in each transaction is the most favorable under the circumstances.” The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer’s services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

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 among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while LNA will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

#### Broker Analysis

LNA evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer’s trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving LNA.

Also in consideration is such broker-dealers’ provision or payment of the costs of research and other investment management-related services (the provisional payment of such costs by brokers are referred to as payment made by “soft dollars”, as further discussed in the “Research/Soft Dollars Benefits” section immediately below). Accordingly, if LNA determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

LNA’s President and Chief Compliance Officer is responsible for continuously monitoring and evaluation the performance and execution capabilities of brokers that transact orders for

our client accounts to ensure consistent quality executions. In addition, LNA periodically reviews its transaction costs in light of current market circumstances and other relevant information.

### Research/Soft Dollar Benefits

LNA uses Charles Schwab & Co.'s, Schwab Institutional (Schwab Institutional) service. There is no direct link between LNA's use of Schwab Institutional and the investment advice it gives to its clients, although LNA receives economic benefits through its participation in the program that are typically not available to Schwab Institutional retail investors.

As a user of Schwab Institutional, Schwab makes available to LNA other products and services that benefit LNA, but may not benefit its clients' accounts. Some of these other products and services assist LNA in managing and administering clients' accounts, including:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk serving Schwab Institutional participants exclusively;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts;
- Ability to have investment advisory fees deducted directly from client account;
- Access, for a fee, to an electronic communication network for client order entry and account information;
- Receipt of compliance publications; and
- Access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors.

Schwab Institutional also makes available to LNA other services intended to help LNA manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab Institutional may make available, arrange and/or pay for these types of services rendered to LNA by independent third parties.

Additional benefits received because of LNA's use of Schwab Institutional may depend upon the amount of transactions directed to, or amount of assets custodied by, Charles Schwab & Co., Inc. LNA is required to maintain a minimum level of client assets with Schwab Institutional to avoid a quarterly service fee. While as a fiduciary LNA endeavors to act in its clients' best interests, LNA's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to LNA of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage provided by Schwab which may create a conflict of interest. It may also create an incentive for LNA to recommend Schwab based on LNA's interests rather than its clients.

### **Directed Brokerage**

#### LNA Directed Brokerage

LNA does not have the discretionary authority to determine the broker-dealer to be used. As stated above, clients in need of brokerage will have Charles Schwab & Co., Inc. Institutional Services Group ("Schwab") recommended to them. While there is no direct linkage between

the investment advice given and usage of Schwab, economic benefits are received which would not be received if LNA did not give investment advice to clients (please see additional disclosures in the “Research/Soft Dollars Benefits” section directly above). LNA does not participate in any transaction fees or commissions paid to the broker dealer or custodian and does not receive any fees or commissions for the opening or maintenance of client accounts at recommended brokers.

Not all investment advisers require their clients to direct brokerage. LNA is required to disclose that by directing brokerage, LNA may not be able to achieve most favorable execution of client transactions and this practice may cost clients more money.

#### Client Directed Brokerage

Certain clients may direct LNA to use particular brokers for executing transactions in their accounts. With regard to client directed brokerage, LNA is required to disclose that LNA may be unable to negotiate commissions, block or batch orders or otherwise achieve the benefits described above, including best execution. Directed brokerage commission rates may be higher than the rates LNA might pay for transactions in non-directed accounts. Therefore, directing brokerage may cost clients more money. LNA reserves the right to decline acceptance of any client account that directs the use of a broker dealer if LNA believes that the broker dealer would adversely affect LNA’s fiduciary duty to the client and/or ability to effectively service the client portfolio.

As a general rule, LNA encourages each client to compare the possible costs or disadvantages of directed brokerage against the value of custodial or other services provided by the broker to the client in exchange for the directed brokerage designation.

### **B. Trade Aggregation/Allocation**

#### Portfolio Management Services

It is the objective of LNA to provide a means of allocating trading and investment opportunities between advisory clients on a fair and equitable basis and in compliance with all applicable state and federal guidelines. With respect to clients’ accounts with substantially similar investment objectives and policies, LNA may often seek to purchase or sell a particular security in each account. LNA will aggregate orders only when such aggregation is consistent with LNA’s duty to seek best execution and is consistent with the investment objective of each client. No client account will be unfairly favored over any other account. Each client that participates in an aggregated order will participate based on the average execution price in that particular security. All transaction costs will be allocated pro rata based on each client’s participation in the transaction. All securities purchased or sold, whether the order is filled completely or partially, will then be allocated pro rata based on the assets of each account.

#### Financial Planning Services

LNA’s Financial Planning Services practice, due to the nature of its business and client needs, does not include blocking trades, negotiating commissions with broker dealers or obtaining volume discounts, nor necessarily obtaining the best price. Clients will be required to select their own broker dealers and insurance companies for the implementation of consulting recommendations. LNA may recommend any one of several brokers. LNA’s clients must independently evaluate these brokers before opening an account. The factors

considered by LNA when making this recommendation are set forth above. LNA's financial planning and consulting clients may use any broker or dealer of their choice.

## **Item 13 - Review Of Accounts**

### **Portfolio Management Services**

#### Reviews

While the underlying securities within Portfolio Management Services accounts are continuously monitored, these accounts are reviewed no less frequently than annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines, ensuring that the structure of the portfolio is coordinated with these objectives. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

The person reviewing the accounts is Loretta Nolan, President of LNA.

#### Reports

In addition to monthly statements and confirmation of transactions that Portfolio Management Services clients will receive directly from their broker-dealer/custodian, LNA will provide clients with written memos, executive summaries or reports as a function of the nature and scope of the engagement.

### **Financial Planning Services**

Financial Planning clients will receive a completed financial plan. Revisions and updates to the financial plan will be provided if requested by the client in conjunction with a new engagement to update the plan.

### **Consulting**

Due to the nature of this service, LNA will not typically provide reports unless contracted for at the inception of the advisory relationship.

## **Item 14 - Client Referrals And Other Compensation**

### **A. Economic Benefits**

LNA does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

### **B. Client Referrals**

Neither LNA nor any related person directly or indirectly compensates any person for client referrals.

## **Item 15 - Custody**

LNA is deemed to have custody because it deducts its fees directly from client accounts.

Custody of client assets will be maintained with the independent custodian selected by the client. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize LNA to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. *Clients are urged to carefully review the account statement sent by the broker-dealer/custodian and to compare the account statement provided by the broker-dealer/custodian with any statements provided by LNA.*

## **Item 16 - Investment Discretion**

LNA does not have investment discretion over client accounts. All transactions in client accounts must be approved by the client (or their representative).

## **Item 17 - Voting Client Securities**

### **Proxy Voting**

LNA does not vote proxies on behalf of its clients. Therefore, although LNA may provide investment advisory services relative to client investment assets, it is the client that maintains exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. LNA and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. Clients can contact Loretta Nolan, President of LNA, at 203-637-1402 if they have questions regarding a particular solicitation.

### **Class Action Settlements**

Although LNA may have discretion over client accounts, it will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

## **Item 18 - Financial Information**

### **A. Prepayment of Fees**

Because LNA does not require or accept prepayment of more than \$500 in fees six months or more in advance, LNA is not required include a balance sheet with this disclosure brochure.

### **B. Financial Condition**

LNA does not have any adverse financial conditions to disclose.

### **C. Bankruptcy**

LNA has never been the subject of a bankruptcy petition.

## **Item 19 – Requirements for State-Registered Advisers**

### **A. Principal Executive Officer**

The principal executive officer of LNA is Loretta Nolan.

### **B. Other Business Activities**

As discussed elsewhere in this disclosure brochure, LNA provides tax preparation services. LNA is not actively engaged in any other investment-related business.

### **C. Performance-Based Fees**

LNA does not receive performance-based fees.

### **D. Disciplinary Events**

LNA does not have any disciplinary events to disclose.

### **E. Relationship with Issuers of Securities**

Neither LNA nor any of its management persons have any relationship or arrangement with any issuer of securities.

## **Item 20 – Additional Information**

### **Privacy Notice**

LNA views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. LNA does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, LNA may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. LNA restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform

administrative functions for LNA. As emphasized above, it has always been and will always be LNA's policy never to sell information about current or former clients or their accounts to anyone. It is also LNA's policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of LNA's Privacy Policy, please contact Loretta Nolan, President of LNA, at 203-637-1402.

**Requests for Additional Information**

Clients may contact Loretta Nolan, President of LNA, at 203-637-1402 to request additional information or submit a complaint. Written complaints should be sent to Loretta Nolan Associates, LLC, 13 Arcadia Road, Suite 10, Old Greenwich, CT 06870.