

# Disclosure Brochure

March 11, 2011

## **Lountzis Asset Management, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Lountzis Asset Management, LLC (herein after "Lountzis Asset Management"). If you have any questions about the contents of this brochure, please contact John Lountzis at (610) 375-2585. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Lountzis Asset Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Lountzis Asset Management, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This section of the brochure discusses only the material changes that have occurred since Lountzis Asset Management's last annual update dated March 2, 2010. Since this is Lountzis Asset Management's initial Disclosure Brochure, there are no material changes to report in this section.

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### Supervised Person Disclosure Supplements

## Item 4. Advisory Business

Lountzis Asset Management has been in business since February 2001. Apostolos J. Lountzis is the principal owner of Lountzis Asset Management.

Lountzis Asset Management is an investment adviser providing investment management services. Prior to engaging Lountzis Asset Management to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Lountzis Asset Management setting forth the terms and conditions under which Lountzis Asset Management renders its services (collectively the “*Agreement*”). Neither Lountzis Asset Management nor the client may assign the *Agreement* without the consent of the other party. A transaction that does not result in a change of actual control or management of Lountzis Asset Management is not considered an assignment.

Lountzis Asset Management has \$56,741,000 of assets under management as of December 31, 2010, all of which were managed on a discretionary basis.

This disclosure brochure describes the business of Lountzis Asset Management. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Lountzis Asset Management’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Lountzis Asset Management’s behalf and is subject to Lountzis Asset Management’s supervision or control.

### Investment Management Services

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Clients can engage Lountzis Asset Management to manage all or a portion of their assets. Lountzis Asset Management primarily allocates clients’ investment management assets on a discretionary basis among individual debt and equity securities. In addition, Lountzis Asset Management may recommend that clients who are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, pooled investment vehicles when consistent with the clients’ investment objectives. Lountzis Asset Management also provides advice about any type of investment held in clients’ portfolios.

Lountzis Asset Management also may render discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans that may not be held by the client’s primary custodian. In so doing, Lountzis Asset Management either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

Lountzis Asset Management tailors its advisory services to the individual needs of clients. Lountzis Asset Management ensures that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance.

# Lountzis Asset Management, LLC Disclosure Brochure

Clients are advised to promptly notify Lountzis Asset Management if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Lountzis Asset Management's management services.

## Management of Collective Investment Vehicle

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Lountzis Asset Management is the investment manager of Achtinon Capital Partners, LP ("*Achtinon*"), a Delaware limited partnership formed in December 2001 to invest and trade in securities. *Achtinon*'s general partner is Achtinon Capital Management, LP, a Pennsylvania limited partnership (the "General Partner") which is controlled by Achtinon Capital Management, LLC, a Pennsylvania limited liability company. Apostolos J. Lountzis, the Principal of Lountzis Asset Management, is the managing member of Achtinon Capital Management, LLC and is ultimately responsible for managing the business of *Achtinon*.

Interests in *Achtinon* are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. *Achtinon* currently relies on an exemption from registration under Section 3(c)(1) the Investment Company Act of 1940, as amended, that is available to investment companies that have less than one hundred (100) investors. Participation as an investor in *Achtinon* is restricted to investors that are qualified clients pursuant to the requirements under Rule 205-3 under the Advisers Act, as well as are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended.

*Achtinon*'s investment guidelines are to seek capital appreciation and long term capital gains tax treatment over an intermediate to long term time horizon by primarily investing in equity securities of companies that it believes to be undervalued because the fundamental valuation as determined by Lountzis Asset Management is materially different from the "market's" perception.

The minimum to invest in *Achtinon* is \$1,000,000, subject to waiver at the discretion of the General Partner. To the extent certain of Lountzis Asset Management's individual advisory clients qualify, they will be eligible to participate as limited partners of *Achtinon*. Investment in *Achtinon* involves a significant degree of risk. All relevant information, terms and conditions relative to *Achtinon*, including the compensation received by Lountzis Asset Management as investment manager and the General Partner as sponsor and administrator, suitability, risk factors, and potential conflicts of interest, are set forth in the Confidential Private Offering Memorandum (the "*Memorandum*"), Limited Partnership Agreement (the "*Agreement*"), and Subscription Agreement, which each limited partner is required to receive and execute prior to being accepted as a limited partner of *Achtinon* (collectively, the "*Offering Documents*").

As further discussed in the *Offering Documents*, *Achtinon* Lountzis Asset Management receives an annual investment management fee of 1% (assessed quarterly) for serving as the investment manager of *Achtinon*. The General Partner, in accordance with the terms and conditions specifically set forth in the *Offering Documents*, receives performance-based compensation in accordance with the requirements under Rule 205-3 of the Investment Advisers Act of 1940, as amended.

## Lountzis Asset Management, LLC Disclosure Brochure

While *Achthon* is generally Lountzis Asset Management's client, the term "client(s)" in this Schedule F sometimes refers to the investors in *Achthon*.

Lountzis Asset Management will devote its best efforts with respect to its management of both *Achthon* and its individual client accounts. Given the above discussion relative to the objectives, suitability, risk factors, and qualifications for participation in *Achthon*, Lountzis Asset Management may give advice or take action with respect to *Achthon* that differs from that for individual client accounts. To the extent that a particular investment is suitable for both *Achthon* and certain individual client accounts, such investments will be allocated between *Achthon* and the individual client accounts pro rata based on the assets under management or in some other manner which Lountzis Asset Management determines is fair and equitable under the circumstances to all of its clients.

### **Institutional Consulting**

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Lountzis Asset Management may sell its research and analysis to various institutions as part of its institutional consulting services. Lountzis Asset Management's institutional consulting services are generally not investment-related but rather address fundamental issues affecting public and private companies within Lountzis Asset Management's area of concentration. Lountzis Asset Management anticipates that it will devote approximately five percent (5%) of its time to such consulting services.

### **Additions and Withdrawals to Accounts**

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Clients may make additions to and withdrawals from their account at any time, subject to Lountzis Asset Management's right to terminate an account. Clients may withdraw account assets on notice to Lountzis Asset Management, subject to the usual and customary securities settlement procedures. However, Lountzis Asset Management designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

## Item 5. Fees and Compensation

Lountzis Asset Management offers its services for an annual fee based upon assets under management.

### Investment Management Fee

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In the event the client determines to engage Lountzis Asset Management to provide investment management services, Lountzis Asset Management does so on a fee basis. Lountzis Asset Management charges an annual fee based upon a percentage of the market value of the assets being managed by Lountzis Asset Management. Lountzis Asset Management's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which is incurred by the client. However, Lountzis Asset Management does not receive any portion of these commissions, fees, and costs. Lountzis Asset Management's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Lountzis Asset Management on the last day of the previous quarter. The annual fee shall be one percent (1%) of the market value of the assets under management.

Lountzis Asset Management, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### Fees Charged by Financial Institutions

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As further discussed in response to Item 12 (below), Lountzis Asset Management generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*") for investment management accounts.

Lountzis Asset Management may only implement its investment management recommendations after the client has arranged for and furnished Lountzis Asset Management with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab*, any other broker-dealer recommended by Lountzis Asset Management, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee

programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Lountzis Asset Management's fee.

Lountzis Asset Management's *Agreement* and the separate agreement with any *Financial Institutions* may authorize Lountzis Asset Management to debit the client's account for the amount of Lountzis Asset Management's fee and to directly remit that management fee to Lountzis Asset Management. Any *Financial Institutions* recommended by Lountzis Asset Management have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Lountzis Asset Management.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Lountzis Asset Management and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Lountzis Asset Management's fees shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate.

Additions may be in cash or securities provided that Lountzis Asset Management reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Lountzis Asset Management may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

### Item 6. Performance-Based Fees and Side-by-Side Management

Lountzis Asset Management does not charge a *performance fee*, but an affiliate of Lountzis Asset Management may be entitled to receive a *performance fee* for acting at the General Partner to *Achtinon* as set forth in the *Offering Documents*.

This fee arrangement raises conflicts of interest. The performance fee may be an incentive for Lountzis Asset Management to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Lountzis Asset Management charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee.

Lountzis Asset Management has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.

## Item 7. Types of Clients

Lountzis Asset Management provides its services to individuals, investment limited partnerships, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size**

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As a condition for starting and maintaining a relationship, Lountzis Asset Management generally imposes a minimum portfolio size of \$500,000. Lountzis Asset Management, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. Lountzis Asset Management shall only accept clients with less than the minimum portfolio size if, in the sole opinion of Lountzis Asset Management, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Lountzis Asset Management may aggregate the portfolios of family members to meet the minimum portfolio size.

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

Lountzis Asset Management's primary method of analysis is fundamental.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. Lountzis Asset Management will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Lountzis Asset Management's investment management strategy is characterized by a concentrated portfolio of equity holdings, low turnover, and the use of primary, field-based research to supplement traditional third-party research. This forms the foundation for which Lountzis Asset Management determines the securities to be purchased for client accounts.

Lountzis Asset Management develops an in-depth knowledge of a company's core financial characteristics and an understanding of the industry within which it operates. Lountzis Asset Management focuses on understanding businesses it believes are operated by high quality management teams that are selling at attractive valuations. Lountzis Asset Management considers both domestic and foreign securities of varying market capitalizations as holdings within client accounts.

### Market Risks

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The profitability of a significant portion of Lountzis Asset Management's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Lountzis Asset Management will be able to predict those price movements accurately.

### Use of Private Collective Investment Vehicles

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Lountzis Asset Management may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called "hedge funds"), including *Achthon*. The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

Lountzis Asset Management is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Lountzis Asset Management does not have any required disclosures to this Item.

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

Lountzis Asset Management is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Lountzis Asset Management does not have any required disclosures to this Item.

## Item 11. Code of Ethics

Lountzis Asset Management and persons associated with Lountzis Asset Management (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Lountzis Asset Management’s policies and procedures.

Lountzis Asset Management has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Advisers Act, its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Lountzis Asset Management or any of its associated persons. The *Code of Ethics* also requires that certain of Lountzis Asset Management’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Lountzis Asset Management’s *Code of Ethics*, none of Lountzis Asset Management’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Lountzis Asset Management’s clients.

When Lountzis Asset Management is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Lountzis Asset Management is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

As discussed above in response to Item 4, a *related person* (as defined in Form ADV) of Lountzis Asset Management is the general partner to *Achtinon*. Lountzis Asset Management may recommend, on a fully disclosed basis, that certain clients invest in the *Achtinon*. As such, a conflict of interest exists to the extent that Lountzis Asset Management recommends that a client invests in *Achtinon*.

Clients and prospective clients may contact Lountzis Asset Management to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Lountzis Asset Management shall generally recommend that clients utilize the brokerage and clearing services of *Schwab*.

Factors which Lountzis Asset Management considers in recommending *Schwab* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab* enables Lountzis Asset Management to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Schwab* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by Lountzis Asset Management's clients comply with Lountzis Asset Management's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where Lountzis Asset Management determines that the commissions are reasonable in relation to the value of the brokerage and research services received. 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 *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Lountzis Asset Management seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Lountzis Asset Management periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct Lountzis Asset Management in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and Lountzis Asset Management will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Lountzis Asset Management (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Lountzis Asset Management may decline a client's request to direct brokerage if, in Lountzis Asset Management's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Lountzis Asset Management decides to purchase or sell the same securities for several clients at approximately the same time. Lountzis Asset Management may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Lountzis Asset Management's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will

generally be averaged as to price and allocated among Lountzis Asset Management's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Lountzis Asset Management determines to aggregate client orders for the purchase or sale of securities, including securities in which Lountzis Asset Management's *Supervised Persons* may invest, Lountzis Asset Management shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Lountzis Asset Management shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that Lountzis Asset Management determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Lountzis Asset Management may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Lountzis Asset Management in its investment decision-making process. Such research generally will be used to service all of Lountzis Asset Management's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Lountzis Asset Management does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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Lountzis Asset Management may receive from *Schwab*, without cost to Lountzis Asset Management, computer software and related systems support, which allow Lountzis Asset Management to better monitor client accounts maintained at *Schwab*. Lountzis Asset Management may receive the software and related support without cost because Lountzis Asset Management renders investment management services to clients that maintain assets at *Schwab*. The software and related systems support may benefit Lountzis Asset Management, but not its clients directly. In fulfilling its duties to its clients, Lountzis

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Asset Management endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Lountzis Asset Management's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Lountzis Asset Management's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, Lountzis Asset Management may receive the following benefits from *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services the Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### Item 13. Review of Accounts

For those clients to whom Lountzis Asset Management provides investment management services, Lountzis Asset Management monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Principal of Lountzis Asset Management, Apostolos J. Lountzis. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Lountzis Asset Management and to keep Lountzis Asset Management informed of any changes thereto. Lountzis Asset Management shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Lountzis Asset Management provides investment advisory services will also receive a report from Lountzis Asset Management that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Lountzis Asset Management.

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

Lountzis Asset Management is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, Lountzis Asset Management is required to disclose any direct or indirect compensation that it provides for client referrals.

Lountzis Asset Management may compensate certain persons for client referrals. If a client is introduced to Lountzis Asset Management by either an unaffiliated or an affiliated solicitor, Lountzis Asset Management may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from Lountzis Asset Management's investment management fee, and does not result in any additional charge to the client. If the client is introduced to Lountzis Asset Management by an unaffiliated solicitor, the solicitor provides the client with a copy of Lountzis Asset Management's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure brochure, containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Lountzis Asset Management is required to disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Lountzis Asset Management's written disclosure brochure at the time of the solicitation.

Lountzis Asset Management may also receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 10, above.

### Item 15. Custody

Lountzis Asset Management's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Lountzis Asset Management through such *Financial Institution* to debit the client's account for the amount of Lountzis Asset Management's fee and to directly remit that management fee to Lountzis Asset Management in accordance with applicable custody rules.

The *Financial Institutions* recommended by Lountzis Asset Management have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Lountzis Asset Management. In addition, as discussed in Item 13, Lountzis Asset Management also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Lountzis Asset Management.

### Item 16. Investment Discretion

Lountzis Asset Management is given the authority to exercise discretion on behalf of clients. Lountzis Asset Management is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Lountzis Asset Management is given this authority through a power-of-attorney included in the agreement between Lountzis Asset Management and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Lountzis Asset Management takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

### Item 17. Voting Client Securities

Lountzis Asset Management may vote client securities (proxies) on behalf of its clients. When Lountzis Asset Management accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in Lountzis Asset Management's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Lountzis Asset Management's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact Lountzis Asset Management to request information about how Lountzis Asset Management voted proxies for that client's securities or to get a copy of Lountzis Asset Management's Proxy Voting Policies and Procedures. A brief summary of Lountzis Asset Management's Proxy Voting Policies and Procedures is as follows:

- Lountzis Asset Management has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to Lountzis Asset Management's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Lountzis Asset Management devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Lountzis Asset Management's vote on a particular solicitation but can revoke Lountzis Asset Management's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Lountzis Asset Management maintains with persons having an interest in the outcome of certain votes, Lountzis Asset Management takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

Lountzis Asset Management does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, Lountzis Asset Management is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Lountzis Asset Management has no disclosures pursuant to this Item.

## **Lountzis Asset Management, LLC**

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Prepared by:

