

Leeb Capital Management, Inc. Part 2A of Form ADV The Brochure

501 Fifth Avenue, Suite #802, New York, NY 10017
www.leeb.net

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This brochure provides information about the qualifications and business practices of Leeb Capital Management, Inc. (“LCM” or “Adviser”). If you have any questions about the contents of this brochure, please contact us at 212-653-1504. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration with the SEC does not imply that LCM, or any employees of LCM possess a particular level of skill or training.

Additional information about LCM is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

As of our most recent annual update to Part 2 of Form ADV in March 2013, LCM's business has undergone the following material changes:

- LCM liquidated its open end mutual fund, Leeb Focus Fund ("LCMFX") in June 2013.
- LCM has moved to a new office address located at 501 Fifth Avenue Suite #802, New York, NY, 10017.

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Advisory Business

Leeb Capital Management, Inc. ("LCM") was founded in 1984 and is owned by Dr. Stephen Leeb and his wife, Donna Alison Leeb. LCM provides investment supervisory services to various types of clients, including individuals, institutions, trusts, charitable organizations, pensions, and profit sharing plans.

LCM's investment supervisory services focus on the selection of domestic stocks but also may include foreign stocks, bonds, options, mutual funds, annuities and money markets. LCM currently offers the following investment strategies:

- Growth
- Income and Growth
- Peak Resources and Energy

Client accounts are managed on an individual basis based upon the specific investment objectives and constraints of the client.

Dr. Stephen Leeb serves as Research Chairman of multiple financial advisory newsletters that are published through The Complete Investor (“TCI”) and other entities which are affiliated companies, the majority of which are owned by Dr. Leeb. These publications are generally published on a weekly or monthly basis and Dr. Leeb expects to spend approximately 10% of his time writing and editing the newsletters. As this activity is separate and distinct from the investment supervisory services of LCM, clients of LCM are not required to subscribe to the newsletters nor will their accounts be managed based on any or all of the strategies or recommendations included in them.

LCM’s clients may, however, acquire securities that are discussed in a publication. LCM, at all times, strives to act in the best interest of clients and to treat all clients in a fair and equitable manner.

As of December 31, 2013, LCM managed \$89,700,000 million on a discretionary basis on behalf of 103 clients.

Fees and Compensation

LCM may negotiate advisory fees at its discretion based on a number of factors. In general, the annual fees for LCM’s advisory services are as follows:

1. Retail Growth Accounts

Up to	\$300,000.00:	1.75%
Over	\$300,000.00:	1.50%
Over	\$1,000,000.00:	1.00%

2. Institutional Growth Accounts

\$5,000,000 to \$10,000,000:	0.90%
\$10,000,001 to \$20,000,000:	0.85%
\$20,000,001 to \$25,000,000:	0.80%
\$25,000,001 to \$50,000,000:	0.75%
Over \$50,000,000:	Negotiable

3. Income and Growth Accounts

All accounts are charged 1.0%.

4. Peak Resources and Energy Accounts

Accounts are charged 2%; however, for clients that qualify (as determined by Rule 205-3 under the Investment Advisers Act of 1940, as amended), LCM may assess the following alternative fee structure: 1% advisory fee and a 20% performance-based fee.

Clients may choose to be invoiced for the advisory fees or have the advisory fees deducted from their advisory accounts. Fees are prepaid on a quarterly basis for the ensuing three-month period. Fees are refundable on a pro-rata basis, in the event of termination of the advisory contract by the client.

LCM may recommend open-ended, closed-end, exchange traded funds (“ETFs”) and exchange traded notes (“ETNs”) in managing clients’ accounts. These funds and notes charge fees that are separate from and in addition to LCM’s management fee. Clients may also incur custodial fees, brokerage and other transaction costs which are in addition to LCM’s management fee.

Performance Based Fees and Side-by-Side Management

As stated in the Fees and Compensation section above, LCM may charge eligible accounts managed in accordance with the Peak Resources and Energy strategy performance based fees which are fees based on a share of capital gains on or capital appreciation of the client’s assets.

The existence of performance-based fees could theoretically incentivize LCM to manage such accounts in a more aggressive, risky manner; however, LCM attempts to minimize this risk by ensuring that it is managing the accounts in accordance with stated investment objectives. In addition, the performance-based fee received by LCM may be based on unrealized gains and losses. As a result, the performance-based fee earned could be based on gains that clients may never realize. In the event that a client who is paying a performance-based fee elects to terminate the advisory contract, LCM will be entitled to receive any performance-based fees that have accrued during the period.

Types of Clients

LCM provides investment supervisory services to various types of clients, including individuals, institutions, trusts, charitable organizations, pensions, and profit sharing plans.

There is an investment minimum of \$500,000 for new accounts in the Growth and Income and Growth strategy and \$100,000 in the Peak Resources and Energy strategy. However, at its discretion, LCM may waive this investment minimum.

Methods of Analysis, Investment Strategies and Risk of Loss

Large Cap Growth. The Growth strategy combines a disciplined “top-down” analysis with a detailed fundamental, “bottom-up” security selection process.

LCM’s top-down analysis aims to identify macroeconomic trends that represent growth opportunities in the global economy – this macro analysis helps to determine our internal growth rates for sectors, as well as for the companies within those sectors.

A variety of data sources is used to establish relative value expectations of growth sectors that are likely to benefit from these broad themes and outperform over the next 12 to 24 months. Growth sectors are defined as those with higher potential revenue and profit growth than that of the US economy.

LCM's top-down approach helps to focus the firm's bottom-up security selection process into the growth sectors and industries identified by the Investment Committee. Portfolio managers identify securities from the S&P 500 and other sources that are consistent with the firm's investment philosophy. The result of the analyses is a "watch-list" of approximately 150 companies. These stocks should possess:

- Market dominance
- A superior operating record and balance sheet
- Projected growth rate greater than the market
- Reasonable price: defined as having a forward PEG less than that of the market

The Investment Committee will perform in-depth research on these companies in order to determine the ones to be included in the Large Cap Growth model portfolio. LCM's fundamental research process incorporates the following inputs:

- "DCA" Analysis (Dominant & Competitive Analysis)
- Growth Factors
- Quality Analysis
- Valuation

LCM employs strict sell disciplines to protect its clients' portfolios. Positions will generally be reduced or sold if a stock:

- Becomes overpriced
- Can be replaced with better risk/reward opportunity
- Changes occur that affect a stock's fundamentals
- Position weight reaches 8%

Income & Growth Portfolio. The Income & Growth Portfolio core strategy is based on generating current income and long-term capital appreciation. We look to hold positions as long as possible in order to capture the maximum in distributions, as well as the capital appreciation that invariably comes from a rising stream of dividends.

This approach is bottom up. We look at companies' operations first, focusing on sustainable yields and businesses that are becoming more valuable over time. We pay careful attention to all the earnings numbers, with the intent of determining whether those businesses are still on track.

The key is to find healthy businesses that can thrive over the course of varying points in economic cycles. Companies should be able to weather tight credit conditions as well as high and rising raw material costs. These businesses should not only be able to maintain a steady payout, but also be positioned to increase the dividend over time.

We think quality always wins out eventually, and thus stocks and preferred shares backed by strong underlying businesses should recover from short-term price dips. Our holdings are also

broadly diversified over a wide range of industries, which has proven to be a reliable strategy to grow principal and provide portfolio stability over the years.

The Income & Growth portfolio will consist primarily of common stocks, preferred stocks, master limited partnerships, and bonds with an objective to minimize the following risks:

- Inflation risk which diminishes purchasing power
- Credit risk by focusing the majority of holdings in investment grade securities
- Market risk by diversifying between various income sectors such as, REITs, utilities and preferred stocks.

Peak Resources & Energy Portfolio. The Peak Resources & Energy Portfolio (“PREP”) is based on LCM’s belief that the global economy is in the midst of an era of increasing global resource and energy scarcity and unprecedented inflationary pressures. For example, we believe that energy and other resources, including base and precious metals, are in great demand from developing and developed nations, but the primary demand growth is coming from the developing nations who are rapidly industrializing. Rising global populations are straining food supplies, driving costs for fertilizers higher, and using up limited clean water supplies. These forces combine to push energy and other resource costs higher. In the past, sharply rising energy costs have led to high unemployment, high inflation and economic recession. LCM believes that to the extent that the U.S. dollar depreciates and energy cost inflation soars, demand will increase for natural resources, along with demand for alternative energy sources.

In selecting equity securities for the PREP portfolio, LCM starts by reviewing U.S. and foreign companies engaged in the natural resources industry, including those listed on the S&P Global Energy indices or the S&P Alternative Energy indices, the Philadelphia Gold & Silver Index, energy and natural resources sector ETFs and ETNs, ETFs and ETNs linked to commodities such as gold, silver, oil or agricultural products, or a commodity index; and companies engaged in alternative energy or conservation-related activities. This universe of over 1,000 companies is then screened for market capitalization greater than \$250 million, and a projected Price/Earnings to Growth (“PEG”) ratio less than that of the S&P 500 Index. The PEG is an indicator of a stock’s potential value. A lower PEG means that the stock is more undervalued. The resulting watch list of approximately 75 to 100 companies is further reduced by the Adviser, using a rigorous fundamental research process described below, to select approximately 30-40 equity securities for the portfolio. The Adviser’s analysis focuses on the following factors:

- Dominant & Competitive Analysis
- Growth Factors
- Company & Quality Analysis

Once investments are identified, the portfolio is constructed under general weighting guidelines. These include but are not limited to:

- A split between energy & materials (including precious metals)
- Typical diversification among 30-40 positions
- An 8% maximum weighting for any single company (see below for details)

- Including investments in other sectors that could be beneficiaries of resource scarcity (defense, etc.)

LCM may invest in ETFs or ETNs linked to commodities such as gold, silver, oil or agricultural products, or a commodity index. A typical commodity-related ETF or ETN may seek to achieve economic exposure to commodity prices through direct investment in a commodity, such as gold bullion; by investing in derivative instruments or contracts linked to specific commodities or indices; or by investing in the securities of issuers who are primarily engaged in production of specific commodities. The Adviser's research suggests that commodity-related investments offer the potential for inflation protection, capital appreciation and returns that are not highly correlated to those of the equity markets. In a typical commodity-related ETF or ETN, the net asset value of the ETF is linked to the value of an individual commodity, or the performance of commodity indices. Commodity ETFs and ETNs may use derivatives which expose them to further risks, including counterparty risk (i.e., the risk that the institution on the other side of the trade will default). On a limited basis, the Fund may engage directly in derivative transactions by using options for hedging purposes. For example, the Adviser may sell call options against open positions (covered calls) to generate income and reduce downside risk.

LCM may sell a portfolio security to the extent that the Portfolio Managers have determined that it has become over-priced or the price depreciates, or it could be replaced with a security that offers a better risk/reward opportunity, or if changes occur that affect a company's fundamentals and its future growth prospects appear weak.

From time to time, the Portfolio Managers may take temporary defensive positions that are inconsistent with the portfolio's principal investment strategies, in attempting to respond to adverse market, economic, political or other conditions. For example, portfolios may hold cash, money market mutual funds, investment grade short-term money market instruments, U.S. Government and agency securities (including zero coupon bonds), commercial paper, certificates of deposit, repurchase agreements and other cash equivalents.

In addition to its three active investment strategies, LCM manages a limited number of advisory client accounts that are invested only in mutual funds. LCM designs this mutual fund strategy based on its screening process utilizing Morningstar data when selecting funds; portfolio composition is based on target sector weights according to LCM's philosophy and client objectives. The mutual fund portfolios may be constructed with no-load funds, front-end load funds, back-end load funds, or contingent-deferred load funds. Such load fees, if any, are paid from the clients' accounts and are paid in addition to LCM's advisory fees. In addition, managers of mutual funds charge management fees that are exclusive of those charged by LCM to its clients.

Investment Risks. Investments in LCM's investment strategies may entail a significant degree of risk and therefore should be undertaken only by individuals capable of evaluating the risks of the applicable investment strategy and bearing the risks it represents. Set forth below is a non-exhaustive list of such risks. However, prospective clients are advised as necessary, to request from an eligible LCM representative, a more comprehensive discussion of these risks prior to investing with LCM:

Commodities-Related Securities. LCM's Investment Strategies may invest indirectly in commodities through instruments that invest in or are a derivative of commodities, such as commodity-related ETFs and ETNs. In a typical commodity-related ETF, the net asset value of the ETF is linked to the value of an individual commodity, or the performance of commodity indices. Therefore, these securities are "commodity-linked" or "commodity-related." To the extent that LCM's strategies invest in commodities-related investments, it will be subject to additional risks. For example, the value of ETFs that invest in commodities, such as gold, silver, oil or agricultural products, are highly dependent on the prices of the related commodity. The demand and supply of these commodities may fluctuate widely based on such factors as interest rates, investors' expectation with respect to the rate of inflation, currency exchange rates, the production and cost levels of the producing countries and/or forward selling by such producers, global or regional political, economic or financial events, purchases and sales by central banks, and trading activities by hedge funds and other commodity funds. Commodity-related ETFs may use derivative instruments, such as futures, options, swaps and structured notes, which exposes them to further risks, including counterparty risk (i.e., the risk that the institution on the other side of the trade will default).

Foreign Securities Risk. Foreign securities can be more volatile than domestic (U.S.) securities. Securities markets of other countries are generally smaller than U.S. securities markets. Many foreign securities may also be less liquid than U.S. securities, which could affect the investments LCM's makes on your behalf.

Small and Medium Cap Company Risk. Stocks of small and mid-cap companies are more risky than stocks of larger companies. Many of these companies are young and have a limited track record. Their securities may trade less frequently and in more limited volume than those of more mature companies. As a result, small and mid-cap stocks may be significantly more volatile than larger-cap stocks. Small and mid-cap companies also may lack the managerial, financial or other resources necessary to implement their business plans or succeed in the face of competition. The prospects for a company or its industry may deteriorate because of a variety of factors, including disappointing operating results or changes in the competitive environment. It may be difficult to sell a small or mid-cap stock, and this lack of market liquidity can adversely affect LCM's ability to realize the market price of a stock, especially during periods of rapid market decline.

Sector Risk. From time to time, LCM's strategies may invest a significant amount of its total assets in certain sectors, which may be subject to specific risks. These risks include governmental regulation of the sector and governmental monetary and fiscal policies that impact interest rates and currencies and affect corporate funding and international trade. Certain sectors may be more vulnerable than others to these factors. In addition, market sentiment and expectations toward a particular sector could affect a company's market valuation and access to equity funding.

Other risks. While the following list is not meant to be exhaustive, LCM has identified the following additional risks that Clients should consider when investing with LCM.

- Portfolio Turnover

- Market Risk
- Style Risk
- Value Risk
- Company Risk
- Dependence on LCM's key personnel

Risk of Loss. Investments in LCM's investment strategies may be highly speculative. LCM may not be successful in meeting their performance objectives. Clients should not invest with LCM unless they can bear the risk of a substantial loss of their assets. There is no assurance that LCM will be able to generate returns or that the returns will be commensurate with the risks inherent in their investment strategies. The past investment performance of LCM cannot be taken to guarantee future results.

Disciplinary Information

LCM and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

LCM and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

As additionally noted above, Dr. Stephen Leeb is the Editor of the TCI newsletter and serves as Research Chairman for several other financial advisory newsletters. The following policies and procedures have been adopted by LCM with respect to the potential conflict that may arise between managing client assets and offering and selling a financial advisory newsletter:

1. LCM may trade for its clients in securities that are included in the newsletters. However, despite such policy, LCM is aware of the conflicts of interest that may arise when trading securities for advisory clients that are recommended in the newsletters. LCM will, at all times, strive to act in the best interest of its advisory clients.
2. Dr. Leeb will only cover securities in the publications that he believes fit within the objectives of certain model portfolios that are developed solely for publications. The securities recommended in the newsletters will not be based solely on investments LCM has made on behalf of its advisory clients.
3. Disclosures provided in the publications will clearly state that LCM, or more specifically, associated entities and/or clients of associated entities may have a position in, and from time-to-time make purchases or sales in securities that are included in the newsletters.
4. Noting that the investment parameters of newsletter subscribers may differ from those of LCM's clients, it is possible that Dr. Leeb may act on behalf of LCM's clients in a manner contrary to the recommendations provided in the newsletter subscribers.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The LCM Code of Ethics (the “Code”) is designed to ensure that LCM upholds its fiduciary duty to clients and that no LCM employee will improperly trade ahead of client accounts or take an investment opportunity which could otherwise go to a client. The Code requires that all employee trades, unless specifically exempted by the Code, be approved prior to execution by LCM’s Chief Compliance Officer or his designee. The Chief Compliance Officer or his designee may reject any proposed trade that (i) involves a security which is being purchased or sold by LCM on behalf of any of its clients or is being considered for purchase or sale; (ii) involves a security of limited availability which may be suitable for a client account, (iii) is a prohibited trade (as discussed below); (iv) is otherwise inconsistent with applicable law; or (v) creates an appearance of impropriety. The Chief Compliance Officer or his designee may consider whether the trade creates an appearance of impropriety if such trade involves: (i) an initial public offering; (ii) a private placement; (iii) short-term trading; or (iv) other factors the Chief Compliance Officer deems relevant.

Prohibited trades are designed to prevent employees from improperly trading ahead of client accounts. An employee is subject to restrictions when purchasing (or selling) a security if that security or a related security is recommended for purchase (or sale) in a newsletter published by an affiliated company of LCM. No employee shall cause or attempt to cause any client to purchase, sell or hold any security in a manner intended to create any personal benefit to the employee.

Certain trades are not subject to specific reporting provisions of the Code. These transactions are (i) purchases or sales effected in any account over which the employee has no direct or indirect influence or control; (ii) purchases that are part of an automatic dividend reinvestment plan; and (iii) purchases and sales of certain securities (shares of any open-end mutual fund not advised or underwritten by LCM, United States Government securities, bankers acceptances, repurchase agreements, bank certificates of deposit, and commercial paper).

LCM has adopted a Statement of Policy on Material Non-Public Information (“Statement”) which addresses the Insider Trading and Securities Fraud Enforcement Act of 1988, a law that provides significant sanctions for all abuses of material, non-public information. The Statement applies to all employees of LCM and any natural person who obtains information concerning recommendations made to any of LCM’s clients’ accounts with regard to the purchase or sale of a security. The Statement forbids any LCM employee, while in possession of material, non-public information, from trading securities or recommending transactions, either personally or on behalf of others (including any LCM client account), or from communicating material, non-public information to others in violation of applicable securities laws.

The Code is available to clients upon request by contacting LCM at the address or telephone number listed on the first page of this document.

Brokerage Practices

a. Directed Brokerage Arrangements

There are two forms of directed brokerage utilized by LCM clients, each with different implications as set forth below.

1. Client selects a broker-dealer for execution of transactions

Certain clients direct LCM to utilize a specified broker-dealer for all securities transactions in that client's account. LCM generally does not negotiate commission rates with broker-dealers when a client directs LCM to execute securities transactions. Clients should be aware that the broker-dealer to which they direct their brokerage transactions may charge commissions that are higher than those available to other clients of LCM. Therefore, a client may pay higher commission rates, and may not receive the best executions, depending upon his or her arrangement with the broker-dealer.

2. Client is referred to LCM by a broker-dealer which executes the client's transactions.

It is a common practice for broker-dealers to refer clients to investment advisers. Such arrangements may give rise to a conflict, on the part of the adviser, between the interests of the client, and the interests of the referring broker-dealer. In the event that a client is referred to LCM by a broker, LCM has a potential conflict between the client's interest in obtaining best execution and LCM receiving future client referrals from the broker. LCM attempts to mitigate this conflict by allowing clients to choose any broker that they wish to execute securities transactions for the account.

LCM accepts clients who were referred by a broker-dealer which may expect to exclusively execute all transactions for the clients' accounts and charge its usual and customary commissions. LCM generally does not negotiate commission rates with such broker-dealers, which may, or may not, charge commissions that are higher than those available to LCM. Therefore, if a client chooses to continue to utilize the services of a referring broker-dealer, the client may pay higher commission rates, and may not receive the best executions, depending upon the arrangement with the broker-dealer.

b. Soft Dollar Arrangements

LCM may trade through brokers that offer it soft dollar products and services. In particular, LCM has entered into a soft dollar arrangement with Schwab Institutional ("Schwab"), whereby Schwab provides LCM with a specified annual aggregate dollar amount in soft dollar credits as a result of the amount of client assets held at Schwab and the level of trading conducted by LCM through Schwab. LCM utilizes the soft dollars to pay for a portion of the cost of the Thomson One Investment Management Solution Product research portal, which is an eligible research product/service under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

c. Brokerage/Custodial Relationships Maintained by LCM

LCM has entered into arrangements with Fidelity Investment Advisor Group ("FIAG"), TD Ameritrade ("TD") and, which provide institutional custody and brokerage services to independent money managers like LCM. Under the arrangements, FIAG, TD and Schwab provide LCM's clients with custodial, brokerage and reporting capabilities. Accordingly, LCM recommends the aforementioned custodians/brokers to clients that are seeking such services. However, in each case, the client is empowered to determine the custodian/broker of their choice. Advisory accounts are generally solely traded through the brokers that custody each account (provided that the custodians are also broker-dealers), including fixed-income securities. When

trading fixed-income securities solely through the custodian of an advisory account, the custodian may not have the security in its inventory, and therefore may be required to purchase the security in the market (or find a buyer for the security in the market) which would generally increase the costs associated with the transaction.

d. Schwab Brokerage/Custodial Relationship

As noted, LCM recommends, as one of their custodian choices, that clients establish brokerage accounts with the Schwab, a registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. LCM is independently owned and operated and not affiliated with Schwab. Schwab provides LCM with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional, *and are not otherwise contingent upon Advisor committing to Schwab any specific amount of business (assets in custody or trading)*. Schwab services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For LCM's client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to LCM other products and services that benefit LCM but may not benefit its clients' accounts. Some of these other products and services assist LCM in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of LCM's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of LCM's accounts, including accounts not maintained at Schwab. Schwab also makes available to LCM other services intended to help LCM 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 may make available, arrange and/or pay for these types of services rendered to LCM by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to LCM. Finally, as stated above, Schwab provides LCM with a specified annual aggregate dollar amount in soft dollar credits as a result of the amount of client assets custodied at Schwab and the level of trading conducted by LCM through Schwab.

While as a fiduciary, LCM endeavors to act in its clients' best interests, LCM's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to LCM of the availability of some of the foregoing products and services and not solely on the

nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

e. Order Aggregation

LCM may aggregate purchase or sale orders for several clients, including clients that are related to LCM. LCM, however, shall not aggregate transactions unless it believes such aggregation will result in the best overall execution for all participating clients and is consistent with the terms of the applicable investment advisory agreement. Furthermore, no client account will be favored by LCM over any other account. LCM may place aggregate orders with multiple broker-dealers during a given trading day. Clients will receive the average price obtained by their respective broker-dealer through which their transaction was placed and pay their pre-negotiated commission rate (or minimum ticket charge). Multiple aggregate orders may be placed through a broker-dealer on any given day; in such cases clients will generally receive the average price of each aggregate order.

LCM's books and records will separately reflect, for each account of a client whose orders are aggregated, the securities held by, and bought and sold for, each account. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively for the clients any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the bank or broker-dealer having custody of the client's account as soon as practicable following settlement. LCM will receive no additional compensation or remuneration of any kind as a result of the aggregation procedure.

f. Partial Fills

LCM will compose, before entering an aggregated order, a written statement (the "Allocation Statement"). If the aggregated order is filled in its entirety, it shall be allocated among the accounts in accordance with the Allocation Statement. If the order is partially filled, it shall not be allocated pro rata based on the Allocation Statement. Instead, LCM will first distribute stocks to clients with less than 500 shares to prevent odd lots and increased confirmation and commission fees. The remainder of clients will have their orders filled when the rest of the trade is executed. The order may be allocated on a basis different from that specified in the Allocation Statement if all accounts of clients whose orders are allocated receive fair and equitable treatment and the reason for such different allocation is explained in writing and is approved in writing by the LCM's Chief Compliance Officer no later than one (1) hour after the opening of the markets on the trading day following the day on which the order is executed. If an aggregated order is partially filled and allocated on a basis different from that specified in the Allocation Statement, no account that is benefited by such different allocation may effect any purchase or sale, for a reasonable period following the execution of the aggregated order, that would result in it receiving or selling more shares than the amount of shares it would have received or sold had the aggregated order been completely filled.

g. Trade Errors

LCM's trade error correction policy specifies that advisory clients are not responsible for the payment of trade errors committed by LCM in relation with its management of client accounts.

Certain client custodians, such as Schwab, have developed policies whereby the custodian/broker pays for client trade errors below \$100, and keeps any gains that result from trade errors in LCM client accounts. In such instances, neither LCM nor LCM's advisory clients will be entitled to gains that result from trade errors, instead the gains would be kept by the client's custodian/broker.

h. Trading Costs

Clients should be aware that trading costs will vary depending on their brokerage/custodial arrangements. LCM periodically reviews its brokerage arrangements to ensure that clients are receiving benefits that are commensurate with the trading and custodial costs. Finally, clients should be aware that over-the-counter transactions may result in the payment of commissions in addition to mark-ups/mark-downs.

i. Timing of Transactions Relative to Newsletter Publications

As noted, affiliated companies of LCM publish various financial newsletters that may discuss/recommend companies that also may be appropriate for investment by LCM's clients. When trading securities of companies that are discussed/recommended in the newsletters, in keeping with its fiduciary duty owed to advisory clients, LCM will generally transact in the securities prior to the release of the newsletters.

Review of Accounts

Client accounts are typically monitored on a daily basis by LCM's portfolio managers and are regularly reviewed by Dr. Leeb using a variety of techniques. In addition, on a periodic basis, client securities are reviewed fundamentally and technically and upon the occurrence of any significant developments with respect to the issuer or its industry.

In addition to the monthly statement provided to each client by the broker that holds the client's funds and securities, LCM typically provides clients with information regarding their accounts through written reports. The frequency of the reporting is normally quarterly, but varies depending upon the client's wishes. The information provided to clients by LCM may include portfolio appraisals, account performance information and other information that may be requested by a client from time to time.

Client Referrals and Other Compensation

a. Additional Compensation

As noted in the Brokerage Practices section above, LCM participates in and recommends to clients the brokerage/custodial service programs of FIAG, Schwab, and TD. While there is no direct linkage between the investment advice given and participation in the programs, economic benefits are received which would not be received if LCM did not participate in the programs. These benefits may include: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk serving program participants exclusively; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communication network for client order entry and account information; receipt of various publications; proprietary research; and participation in broker/custodian-sponsored conferences. LCM understands that the benefits received through its participation in the programs generally do not depend upon the amount of transactions directed to, or amount of assets custodied by, the

service program sponsors. However, as noted above, LCM receives a specified annual aggregate dollar amount in soft dollar credits from Schwab that it believes is contingent upon maintaining a certain level of assets custodied at Schwab and a certain level of trading through Schwab.

b. Solicitors

Pursuant to the provisions of Rule 206(4)-3 under the Investment Advisers Act of 1940, LCM may pay cash referral fees to solicitors. The solicitors will receive a percentage of the fees paid to LCM by the client. The fees paid to the solicitors are absorbed by LCM as a necessary business expense and does not increase LCM's overall fee collected from such clients. The solicitors' businesses, backgrounds and experiences will determine the percentage they will receive.

Custody

All clients' accounts are held in custody by unaffiliated broker-dealers or banks, but LCM can access many clients' accounts through its ability to directly debit advisory fees. For this reason LCM is considered to have custody of client assets. Custodians of client accounts send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by LCM.

Investment Discretion

LCM generally manages client accounts on a fully discretionary basis, which is granted to LCM through the execution of a limited power of attorney included in LCM's advisory agreement. Notwithstanding, LCM may manage a limited number of client accounts on a non-discretionary basis.

As always, client assets are managed on an individual basis based upon the specific investment objectives and constraints of the client.

Voting Client Securities

With respect to advisory clients, LCM generally does not maintain proxy voting authority and the obligation to vote client proxies shall normally rest with client. However, on a limited basis and in special circumstances, LCM may vote proxies on behalf of certain clients upon request. In addition, clients are in no way precluded from contacting LCM for advice or information about a particular proxy vote.

Upon request, a copy of LCM's proxy voting policy and/or information with respect to a specific client proxy vote is available to clients by contacting LCM at the address or the telephone number listed on the first page of this document.

Financial Information

LCM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.