

**LCM Capital Management Inc.**

**FORM ADV PART 2A  
BROCHURE**

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**This brochure provides information about the qualifications and business practices of LCM Capital Management Inc. If you have any questions about the contents of this brochure, please contact John Nowicki at 312 705-3013 or at [jnowicki@lcmcapital.com](mailto:jnowicki@lcmcapital.com). 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 LCM Capital Management Inc is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for this Adviser is 110074.**

**Adviser is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

**April 25, 2018**

## **Material Changes**

Form ADV Part 2A, Item 2

This brochure dated April 25, 2018 contains no material changes since the brochure dated April 25, 2017 filed with our last annual updating amendment.

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## Advisory Business

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LCM Capital Management Inc. ("LCM" or the "Adviser") is an SEC registered investment adviser located in Chicago, Illinois. It is principally owned by John Michael Nowicki and Gary Michael Wozny, its managing directors, and has been in existence since 1998.

### I. Management Services

#### A. Individual Investment Supervisory Services

LCM provides individual supervisory services through continuous supervisory management for individuals, trusts and estates on a discretionary basis. Prior to engaging Adviser to provide any of the foregoing investment advisory services, the client will be required to enter in one or more written agreements with LCM setting forth the terms and conditions under which the Adviser shall render its services (collectively the "*Agreement*"). Likewise, the adviser will make the investments based upon the clients stated goals and objectives as derived from in person meetings, a risk profile, client questionnaire and other documentation. In addition, LCM uses certain investment tools to determine the clients' risk parameters, time horizon and investment objectives. Through these methods, LCM will establish goals, financial needs and risk tolerance and will develop personal investment guidelines for each client. LCM will manage the portfolio based upon these guidelines. A client may impose reasonable restrictions on the Adviser's choice of securities so long as the client provides clear written direction to that effect.

All advisory clients under LCM management on a discretionary basis are defined as the LCM Private Asset Management Group ("LCMAM"). LCMAM clients' accounts will be managed on a discretionary basis and done through a wrap program. For more information about the wrap program, please see Appendix 1 attached hereto.

LCMAM clients have the right to terminate the contract, without penalty, within five days of signing the contract. After that time period, a client may terminate the contract at any time, and any earned yet unpaid fees will be due and payable. Conversely, any fees paid in advance will be prorated and refunded to the client.

#### B. Defined Contribution and Defined Benefit Management

LCM will manage Defined Contribution and Benefit Plans on a **non-discretionary** basis. LCM specializes in providing Defined Benefit and Defined Contribution retirement plan consulting services. LCM takes a holistic approach by providing a wide range of inter-

related services for retirement plans to assist plan fiduciaries in fulfilling their ERISA responsibilities. Services include: plan design consulting, participant communications, strategy optimization, investment consulting, investment manager due diligence, investment policy creation and maintenance, record keeper search, asset allocation optimization, income replacement solutions, total plan fee analysis, operational compliance review, plan design and communications consulting.

1. Fiduciary Services are:

- a. Provide non-discretionary investment advice to the Client about asset classes and investment alternatives available for the Plan in accordance with the Plan's investment policies and objectives. Client will make the final decision regarding the initial selection, retention, removal and addition of investment options.
- b. Assist the Client with the selection of a broad range of investment options consistent with ERISA Section 404(c) and the regulations thereunder.
- c. Assist the Client in the development of an investment policy statement ("IPS"). The IPS establishes the investment policies and objectives for the Plan. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring investment performance. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the IPS.
- d. Assist in monitoring investment options by preparing periodic due diligence investment reports that document investment performance, consistency of fund management and conformance to the guidelines set forth in the IPS. We will make recommendations to maintain, remove or replace investment options based upon client's IPS
- e. Meet with Client on a periodic basis to discuss the Plan due diligence reports and the Plan's investment menu adherence to IPS guidelines. Although LCM is not involved in the purchase or sale of these investments, we will supervise the client's portfolio and make recommendations to the client as market factors and the client's needs dictate.
- f. Provide non-discretionary investment advice to the Plan Sponsor with respect to the selection of a qualified default investment alternative ("QDIA") for participants who are automatically enrolled in the Plan or who have otherwise failed to make investment elections. The Client retains the sole responsibility to provide all notices to the Plan participants required under ERISA Section 404(a).

2. Non-fiduciary Services are:

- a. Assist in the education of Plan participants about general investment information and the investment alternatives available to them under the Plan. Client

understands the Adviser's assistance in education of the Plan participants shall be consistent with and within the scope of the Department of Labor's definition of investment education (Department of Labor Interpretive Bulletin 96-1). As such, the Adviser is not providing fiduciary advice as define by ERISA to the Plan participants. Adviser will not provide investment advice concerning the prudence of any investment option or combination of investment options for a participant or beneficiary under the Plan.

- b. Assist with group enrollment and educational meetings designed to increase retirement plan participation among the employees and investment and financial understanding by the employees as to their company's retirement plan. Adviser may provide these services or, alternatively, may arrange for the Plan's other providers to offer these services, as agreed upon between Adviser and Client.
3. The Adviser has no responsibility to provide services related to the following types of assets ("Excluded Assets"):
- a. Employer securities;
  - b. Real estate (except for real estate funds or publicly traded REITs);
  - c. Participant loans;
  - d. Non-publicly traded partnership interests;
  - e. Other non-publicly traded securities or property (other than collective trusts and similar vehicles); or
  - f. Other hard-to-value or illiquid securities or property.

Excluded Assets will **not** be included in calculation of fees paid to the Adviser under this Agreement.

#### C. Forensic Cost and Risk Analysis.

LCM also offer a service called a Forensic Cost and Risk Analysis. This is a no cost or obligation evaluation of a potential client's current mutual fund holdings, evaluating the risk level, expense ratios, potential tax exposure, and sector and company exposures.

#### **Assets Under Management**

LCM has \$ 183,822,000 of assets under discretionary management and \$ 19,382,000 of assets under non-discretionary management as of January 31, 2018.

**LCMAM Fees and Transaction Costs**

The fees for the LCMAM service are in a wrap format. Therefore, clients pay an all-inclusive fee which covers LCM's advisory fee, commissions, ticket charges, and other transaction fees. Please see the Wrap Brochure, Appendix 1, for more information about the wrap fees. Generally, fees are deducted directly from client accounts in the wrap program

**Defined Contribution Plan Fees**

LCM also provides non-discretionary pension consulting services as described more fully in Item 4 above. For those services LCM charges an annual fee which may be a flat fee or a percentage of assets under management. The fees are negotiated prior to LCM accepting the contract to perform the agreed upon services. The percentage fees will initially be based upon the value of the plan assets as calculated by the custodian or recordkeeper on the first business day of the initial fee period, which may be monthly or quarterly in advance or in arrears. If the service does not begin on the first day of the applicable period, the fees will be prorated by the number of days in the appropriate period. Thereafter, the fees will be based upon a percentage of the client assets as valued on the last day of the applicable period (monthly, quarterly) and will be due the next business day.

The compensation of LCM for the services it provides under this section is described in Schedule A of the Plan Agreement with LCM. The Plan Sponsor is obligated to pay the fees; however, the Plan Sponsor may elect to have the Plan pay them. The Adviser does not expect to receive any other compensation from the Plans; however, if it is received LCM will offset the compensation against the fees agreed upon under the Agreement. LCM may send invoices to the Plan and be paid by check or may debit fees per the Plan Sponsor's instructions.

**Other Fees/Transaction Cost**

Setup Fee: Since LCM takes a long-term view of the investment horizon and pays all cost initially associated with setting up the client's account under the LCMAM program, LCM charges a termination fee of \$750.00 per account, if the client cancels the agreement within the first two years. For ERISA accounts, there is no termination fee but there may be administrative fees from a Third-Party Administrator or other fees that will be billed separately to the client.

Transaction Costs: Clients may incur certain charges imposed by third parties such as custodial fees, commissions, charges imposed directly by a mutual fund or exchange traded fund 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. In addition, for certain fixed income transactions, traded away from the custodian, clients may pay a trade-away fee charged by the custodian. Finally, there may postage charges, SEC charges, transfer fees, and IRA fees.

For clients under the LCMAM program, please see Appendix 1, Wrap Brochure, for a description of transaction costs and expenses.

Such charges, fees and commissions are exclusive of and in addition to the Adviser's fee. Adviser may rebate brokerage costs on a case by case basis. The Adviser shall not receive any portion of these commissions, fees, or costs.

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

Form ADV Part 2A, Item 6

LCM does not charge performance-based fees. This section is not applicable to the Adviser.



## Types of Clients

Form ADV Part 2A, Item 7

LCM provides portfolio management services to individuals, high net worth individuals, and corporate pension and profit-sharing plans. LCM requires a minimum accounts size of \$25,000 for the LCMAM management accounts, Equities, and \$100,000 for LCM AM, Fixed Income.

## Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

### **Methods of Analysis**

LCM uses four methods of investment analyses: 1) charting, 2) fundamental analysis, 3) technical analysis, and d) cyclical analysis. Descriptions of each are included below:

**1. Charting.** A charting analysis includes a variety of means of analysis that correlate charts, graphs, and similar market information to detect patterns that are judged to be predictable, to reoccur in essentially the same way, given the same chartable factors or relationships among factors. It seeks to predict trends and notice variations in those trends, using various calculated averages.

**2. Fundamental Analysis.** Fundamental analysis is called the “bottom-up” approach to investing, and seeks an in-depth understanding of a specific company to evaluate its intrinsic value and its prospects before investing in its stock. Such an analysis studies the company’s management, its debt, equity and cash flow, history of financial performance/ growth, dividend payout percentages, its products, operating efficiency and marketing structures, among other factors. The company’s balance sheet and income statement are two key sources of information about the company.

Fundamental Analysis will compare a firm’s stock price with its earnings per share and its net earnings to its gross revenues and compare both with the averages for that industry sector. The ratio of current liabilities to current assets is another important element of this form of evaluation. A central focus is deciding whether the stock is over-valued or undervalued.

**3. Technical** Technical Analysis is, together with fundamental analysis, one of the two major schools of stock market study. This form of value analysis focuses on patterns of volume and price fluctuations for a given stock as compared to the activity of the larger, general market(s) indicators. Securities are evaluated for purchase or sale based on an analysis of market statistics such as volume and prices over time as seen on charts, etc. that are believed to establish relational patterns that can predict future movements in the markets. This relative comparison has little or no concern for any company’s fundamental structure, production or worth. Market indicators kept in view include volume and direction of market activity, as indicators of supply and demand for securities, often using one or more established index/ indices, such as the NASDAQ, S&P 500, and the Dow Jones Industrial Average. Trends and Penetrations (e.g. of previous “high”) are another

type of indicator used.

The patterns discerned, often using charts for a quick grasp of the relationship of various factors, are used to predict future market moves and their effects on stocks in general and/ or on sectors of the market

**4. Cyclical** – This form of analysis classifies sector types of stock and possibly specific stocks about their relation to recurring up and down business cycles and/ or market movements. Certain kinds of stock show marked tendencies to mirror these larger economic movements, either directly or inversely. Automobile industry stocks, housing stocks, and many others belong to these groups. Others, such as food-related stocks, have little or no relation to these cyclical economic movements. It is important for the analyst using cyclical predictors to have a good understanding of how certain industries relate to the overall economy and any verifiable changes occurring within the system, to ascertain which business sectors will be affected and how greatly by economic changes.

### **Investment Strategies**

LCM may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period)

We may rebalance portfolios as their proportional segments gain or lose value to maintain intended diversification. The stated portfolio goals and composition mitigate against avoiding transactions.

### **General Risks**

Although generally our investment strategy does not involve frequent trading, leverage, or short selling, there still exist material risks with our investment strategy. With fixed income investing the two principal factors of risk are maturity and default risk. We attempt to manage this risk by performing due diligence and close monitoring. Investing in equities presents risk of loss and we attempt to manage this risk with due diligence, global asset allocation and rebalancing.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with an industry or a company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its

obligations. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy or a declining market value.

### **Specific Strategies Risks**

Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third-party lender (i.e. Broker-Dealer) with the obligation of buying identical assets later to return to the third-party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. Thus, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential **conflict of interest** whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting or "hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. Considering these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

**Disciplinary Information**

Form ADV Part 2A, Item 9

Neither LCM nor any of its principals has any disciplinary history.

## Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

### **Insurance Agency**

John Nowicki and Gary Wozny, principals of LCM, are also licensed insurance agents, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that LCM or its advisory affiliates recommend the purchase of insurance products where the adviser or its advisory affiliates receive insurance commissions or other additional compensation. Clients may purchase these products through a different insurance agent.

### **IAR Referrals**

LCM may refer clients to Brad H. Rosley and his company Fortune Financial Group, an Illinois registered investment adviser, for financial planning services. Rosley is an investment advisory representative of LCM and the referral by LCM is for separate services. Therefore, there is a conflict of interest because LCM is referring to one of its own advisory representatives and that representative may earn fees from his business due to the LCM referral. Neither Rosley nor FFG pays any referral fees to LCM.

In addition, Mr. Rosley is a registered representative of a registered broker-dealer. As such he receives usual and ordinary compensation for securities transactions. Mr. Rosley does not receive any compensation from any LCM advisory account trades, nor does LCM receive any compensation from Rosley.

William E. Ryan, an investment advisory representative of LCM, has operated a business under the name "Retirement Services Consulting Group" since January 2017. He is a self-employed retirement plan consultant. Mr. Ryan provides qualified retirement plan consulting services to advisors and plan sponsors in navigating complex ERISA and DOL rules and regulations. He spends approximately 20% of his business time with this business, primarily during market hours. Mr. Ryan receives usual and ordinary compensation for his retirement consulting services. LCM receives none of the compensation received by Mr. Ryan for this business.

John Mahoney, an investment advisory representative of LCM, is also President of M Management Group, Inc. a business consulting firm. Mr. Mahoney spends approximately 90% of his time with this business and receives the usual and ordinary compensation for this work. LCM does not refer business to this group nor does LCM receive any

compensation from this business.

### **Proprietary Sale of Convertible Bonds**

LCM has offered for sale and sold convertible bonds in its own company to some, but not all, of its advisory clients. This creates a conflict of interest in that LCM has an incentive to favor those clients that have purchased its proprietary bonds over those that have not purchased the bonds. In addition, LCM's two majority shareholders have an incentive to cause LCM to pay out all available funds directly to the owners as salaries, rather than declare dividends that would be beneficial to all equity holders of the bonds that have converted. These conflicts are mitigated by the fiduciary duty LCM and its advisory representatives have to place the best interest of each client first, and by their commitment to follow LCM's Code of Ethics. Moreover, the incentive to pay salaries over dividends impacts only those clients that purchased and converted their bonds to equity and not to LCM's other advisory clients. It is also mitigated by the fiduciary duty that LCM's Board and majority shareholders have to act in the best interests of all shareholders.



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

Form ADV Part 2A, Item 11

LCM 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 the Adviser or any of its associated persons. The *Code of Ethics* also requires that certain of the Adviser'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. Finally, the Code also governs the Access Persons personal securities trading, receipt of gifts or gratuities and the confidentiality of client information.

Clients may contact the Adviser to request a copy of its *Code of Ethics*.

Neither LCM nor any of its advisory representatives receives any compensation from any advisory clients' trades.

## Brokerage Practices

Form ADV Part 2A, Item 12

### Brokerage Practices Generally.

In general, LCM recommends the use of TD Ameritrade Institutional (“Ameritrade”), as custodian and broker-dealer for its clients’ trades. Factors which LCM considers in recommending Ameritrade, or any other broker-dealer to clients, include their respective financial strength, reputation, execution, pricing, research, and service. Ameritrade enables LCM to obtain many securities at nominal transaction charges. The commissions and/or transaction fees charged by Ameritrade may be higher or lower than those charged by other broker-dealers.

Clients may incur transaction costs in addition to any commissions charged by the broker-dealer when securities traded over-the-counter are effected on their behalf through the broker-dealer on an agency basis.

#### 1. Research and Other Benefits

LCM may receive from *Ameritrade*, without cost to the Adviser computer software and related systems support, which allow LCM to better monitor client accounts maintained at *Ameritrade*. LCM may receive the software and related support without cost because the Adviser renders investment management services to clients that maintain assets at *Ameritrade*. The software and related systems support may benefit LCM, but not its clients directly. In fulfilling its duties to its clients, LCM endeavors always to put the interests of its clients first. Client should be aware; however, that LCM’s receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence LCM’s choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services. Therefore, LCM has an incentive to select or recommend a broker-dealer, and Ameritrade, based on its interest in receiving the software and related services, rather than on your clients’ interest in receiving most favorable execution.

The commissions paid by LCM’s clients shall comply with Adviser’s duty to obtain “best execution.” However, a client may pay a commission that is higher than another qualified broker-dealer might charge to affect the same transaction where Adviser determines, in good faith, that the mark-up or mark-down for fixed income trades and commission is 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 broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Adviser will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

In addition, Adviser participates in the TD Ameritrade Institutional program (the "Program") offered by TD Ameritrade Institutional ("*Ameritrade*"). *Ameritrade* is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. *Ameritrade* offers to independent investment advisers' services that include custody of securities, trade execution, clearance, and settlement of transactions. LCM receives some benefits from *Ameritrade* through its participation in the Program.

Although not a material consideration when determining whether to recommend that a client utilize the services of a broker-dealer/custodian, LCM may receive from *Ameritrade* or another broker-dealer/custodian, investment platform and/or mutual fund sponsor without cost (and/or at a discount) support services and/or products, certain of which assist the Adviser to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Adviser may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer software and/or other products used by LCM in furtherance of its investment advisory business operations.

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

LCM's clients do not pay more for investment transactions effected and/or assets maintained at *Ameritrade* because of this arrangement. There is no corresponding commitment made by the Adviser to *Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products because of the above arrangement.

## 2. Brokerage for Client Referrals.

LCM does not direct brokerage in exchange for client referrals.

### 3. Directed Brokerage

Generally, LCM does not accept client directed brokerage arrangements, but may from time to time. If clients are to custody away from Ameritrade or direct brokerage away from Ameritrade, that may limit LCM's ability to block trades and/or obtain best price and execution. For the clients in the LCMAM program, it may mean that they will incur transaction costs.

### 4.. Trade Aggregation

LCM may block trades where possible and when advantageous to clients. When more than one account is trading a stock or ETF on the same day, LCM will combine multiple orders for shares of the same securities purchased for advisory accounts it manages, and then the shares are distributed to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when LCM combines orders, each participating account pays an average price per share for all. Accounts owned by LCM or persons associated with our firm may participate in block trading with client accounts but will receive the same average price.

If LCM determines that block trading is not appropriate under the circumstances, the allocation will be made based upon other relevant factors.

### 5. Trade Errors

LCM corrects all trade errors through its Trade Error Account. The Adviser shall be responsible for any losses in the accounts and likewise shall receive any gains resulting from the correction of any trade errors.

### 6. Agency Cross Transactions

LCM may effect agency cross transactions among its advisory clients if the transactions will benefit both clients and both clients have been duly notified and have given their approval. These transactions will be executed through an independent broker and LCM Capital Management will receive no compensation for these trasactions other than its customary advisory fee.

## Review of Accounts

Form ADV Part 2A, Item 13

For those clients to whom the Adviser provides investment management services through its LCMAM wrap program, client accounts will be reviewed daily. When an account has changed 5-10% during given period, a more extensive review will be conducted. John Nowicki and Gary Wozny, principals of the firm, conduct the reviews. All investment advisory clients are encouraged to discuss their needs, goals and objectives with the Adviser and to keep the Adviser informed of any changes thereto. The Adviser 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.

Client accounts are also reviewed at the request of client or, in the sole discretion of the Adviser if a material or significant event has occurred. Such events may include economic, geopolitical, political, tax or legal changes.

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. In addition, clients will receive quarterly position report from LCM which shows gains and losses for the period. Additional reports such as bond analyses, assets allocation reports and other reports will be provided as determined by the requirements of the client. LCM urges clients to compare carefully the reports provided by LCM and the account statements provided by the custodian for accuracy and completeness.

## **Client Referrals and Other Compensation**

Form ADV Part 2A, Item 14

### **Receipt of Compensation**

The Adviser receives no compensation from any source other than fees. Messrs. Nowicki and Wozny, principals of the firm, receive usual and ordinary commissions from the sale of insurance products to advisory clients. Clients may go to other insurance agents for purchases of insurance products.

### **Payment of Compensation**

Under the SEC Cash Solicitation Rule, (Rule 206(4)-3) LCM may compensate persons who solicit advisory clients for the firm if appropriate agreements exist, specific disclosures are made, and other conditions met under the rules. From time to time LCM will have agreements in place with certain industry professionals/finance professionals who solicit or refer clients to LCM and will be paid a referral fee based on a percentage of the investment advisory fees collected by LCM. This fee (or percentage) of the advisory fee will be fully disclosed at the time of the referral and in the Solicitor's Written Disclosure Statement and Client Acknowledgment. No client's fee will be affected by the payment of a referral fee by LCM.

## Custody

Form ADV Part 2A, Item 15

The Adviser does not take custody of client assets under the LCMAM program or the services provided to Plans. Rather, Adviser uses Ameritrade to act as custodian for Client assets. Clients receive account statements and trade confirmations directly from Ameritrade and should review such statements for accuracy. Adviser maintains copies of client statements and confirmations electronically. In addition, if Adviser sends its own reports directly to clients, then we urge clients to compare the custodial statements with the reports received from the Adviser for completeness and accuracy. LCM does have custody of clients' assets for those clients who have who have purchased the convertible bonds of the company and have interest payments due. LCM is complying with the Custody Rule by the surprise audit provision of that rule.

## Investment Discretion

Form ADV Part 2A, Item 16

For clients in the LCMAM program, LCM may exercise discretion over the specific securities to be bought or sold, the amount of securities to bought or sold and the broker-dealer to be used for such transactions. The Adviser will have authority to exercise full direction in the above-named factors without restriction. LCM also will observe any specific limitations imposed by the client in relation to this discretion.



## Voting Client Securities

### Form ADV Part 2A, Item 17

LCM does vote proxies on behalf of clients that are part of its LCMAM program. LCM's proxy voting policy and procedures are as follows:

LCM as a matter of policy and as a fiduciary to our clients has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. Our policy states, among other provisions, those clients may direct our voting by placing reasonable restrictions in writing. Generally, LCM will vote in favor of routine corporate housekeeping proposals (including the election of directors). About other proposals, LCM will consider management's opinion and proposals' effects on shareholder value.

Conflicts of Interest: LCM will identify any conflicts that exist between the interests of the adviser and the client by reviewing the relationship of LCM with the issuer of each security to determine if LCM or any of its employees has any financial, business or personal relationship with the issuer. If a material conflict of interest exists, John Nowicki will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third-party voting recommendation.

LCM will maintain a record of the voting resolution of any conflict of interest. An LCM advisory client may, at any time, request a copy of LCM's proxy voting policies and procedures and a record of how certain proxies were voted.

<b>Financial Information</b>
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Form ADV Part 2A, Item 18
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Neither the Adviser, or any of its principal, or any of its investment advisory representatives, has ever filed a bankruptcy petition and has no financial information to report.
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