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## **Form ADV, Part 2A Brochure**

**February 21, 2024**

This brochure provides information about the qualifications and business practices of Lewis Capital Management, LLC. If you have any questions about the contents of this brochure, please contact Scott Lewis at (310) 276-1262 or at [scott@lewiscm.com](mailto:scott@lewiscm.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 Lewis Capital Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Lewis Capital Management, LLC 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.

## ITEM 2 - MATERIAL CHANGES

The purpose of this page is to inform you of any material changes to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Lewis Capital Management, LLC (“LCM”) reviews and updates our brochure at least annually to confirm that it remains current. LCM has not made any material changes since the previous annual update to our brochure, dated February 21, 2024.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Lewis Capital Management, LLC (“LCM,” “we,” “our,” or “us”) was licensed as an investment adviser firm on July 20, 2000. Scott Craig Lewis, JD, CFA is the sole owner and Chief Compliance Officer. The firm is not publicly owned or traded and there are no indirect owners of the firm or intermediaries with any ownership interests.

### Fiduciary Duty

Registered investment advisers are considered fiduciaries under federal law. Our fiduciary duty carries with it an obligation to act in the best interest of our clients pursuant to a relationship of trust and confidence. It encompasses a *duty of care* and a *duty of loyalty*.

#### Duty of Care

The duty of care includes, among other things:

1. the duty to provide advice that is in the best interest of the client;
2. the duty to seek best execution of a client’s transactions where the adviser has the responsibility to select broker-dealers to execute client trades; and
3. the duty to provide advice and monitoring over the course of the relationship.

The duty to provide advice suitable to each client based on a reasonable understanding of the client’s objectives is a critical component of the duty of care. Providing suitable advice includes making a reasonable inquiry into the client’s financial situation, investment experience, and financial goals and then updating this information as necessary throughout the course of the relationship to reflect the client’s changing objectives over time and adjusting the advice we provide to reflect any changed circumstances.

When LCM has the responsibility to select broker-dealers to execute client trades in discretionary accounts, we seek to trade such that the client’s total cost or proceeds in each transaction are the most favorable under the circumstances. In doing so, we consider the full range and quality of a broker’s services and so the determinative factor is not necessarily the lowest possible commission cost but whether the transaction represents the best qualitative execution. Moreover, we periodically and systematically evaluate the execution we receive on behalf of our clients.

Our duty of care includes an obligation to provide advice and monitoring at a frequency that is in the best interest of the client, taking into account the scope of the agreed relationship. This scope is indicated by the duration and nature of the services as outlined in each client’s advisory arrangement and extends to all personalized advice provided to clients.

#### Duty of Loyalty

LCM adheres to a duty of loyalty where we seek to serve the best interests of our clients and never subordinate the interests of our clients to our own. Simply put, LCM cannot place its own interests ahead of the interests of our clients. In observance of this duty, we must make full and fair disclosure to clients of all material facts relating to the advisory relationship. Further, we also seek to eliminate or at least expose through full and fair disclosure all conflicts of interest which might incline LCM, consciously or unconsciously, to render advice that is not disinterested. We

believe that in order for disclosure to be full and fair, it should be sufficiently specific so that each client is able to understand the material fact or conflict of interest and make an informed decision whether to provide consent. Consequently, we provide this ADV 2A brochure to all prospective clients at or before entering into a contract so that they can use the information within to decide whether or not to enter into an advisory relationship.

## **Advisory Services Offered**

LCM offers the following services to advisory clients:

### *Investment Management Services*

LCM provides continuous and personal investment advice and manages clients' portfolios on a discretionary basis. Investment advice is tailored to each client based on the individual client's financial objectives, risk tolerances, and personal circumstances. Such investment advisory services are the only services offered by LCM.

The advisory relationship is initiated with a series of consultation meetings or phone calls between Scott Lewis and the client wherein they discuss the client's overall financial situation. Topics include a specific client's investment objectives, risk tolerance, planning horizon, asset-class preferences, and LCM investment strategies. LCM then tailors an investment policy relying on client-supplied data. Once these initial sessions are completed, LCM presents verbally and/or in writing the investment plan designed specifically for the client's managed portfolio. Clients are provided with assistance in obtaining and completing the required paperwork to establish the necessary investment accounts.

LCM will primarily utilize the following investment types when making investment purchases in client accounts:

1. Individually researched and selected common stocks
2. Securities with equity and debt characteristics including preferred stocks and convertible bonds
3. Fixed income securities such as corporate bonds, treasuries, agency bonds, bank certificates and/or municipal securities
4. Exchange traded funds (ETFs)
5. Money market funds and cash sweeps

LCM may also occasionally utilize additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry. We may offer investment advice on any investment held by the client at the start of the advisory relationship. Asset-allocation decisions are based predominantly on the client's financial situation and risk tolerance, as well as on the current asset class attractiveness. In addition, LCM evaluates and manages for tax implications specific to the client. Money market funds and/or cash sweeps will also be held in the portfolio for client liquidity needs or while awaiting investment opportunities.

LCM generally applies a "value" focus in selecting equities and does not attempt to engage in market timing. Stock investments are typically held for longer periods, and bonds are typically

held to maturity. Portfolio turnover is low. Following is a summary of key investment philosophies and practices of LCM.

LCM is value driven, investing in companies that we believe are trading significantly below their underlying value (undervalued), and over time can potentially appreciate to reflect their legitimate worth. LCM uses quantitative computer screens, proprietary financial models, and qualitative judgments to locate undervalued stocks that it believes have potential for long-term appreciation.

LCM believes that diligent research is fundamental to prudent investment decisions. We look at each stock as if we are buying the company, not just a tradable security. LCM believes that by concentrating on our best 10 to 25 stock ideas, investment results can potentially be improved compared to spreading our research efforts over too wide a base.

Asset allocation is an ongoing process based on open and consistent dialogue between the client and LCM. Proper asset allocation should reflect the client's investment time horizon, risk tolerance, return expectations and income requirements.

We believe that patient trading and low commissions can potentially help investment returns. LCM does not generally attempt to predict short and intermediate term moves of the market.

#### Limitations on Investments

In some circumstances, LCM's advice may be limited to certain types of securities.

##### *Limitation by Plan Sponsor/Employer*

In the event LCM is managing assets within a retirement plan such as 401(k), 403(b), or other employer plan, LCM is limited to those investment providers and investment options chosen by the plan administrator. Similarly, when we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan's investment options. Therefore, LCM can only make recommendations to the client from among the available options and will not recommend or invest the client's account in other securities, even if there may be more suitable options elsewhere.

##### *Limitation by Client*

LCM may also limit advice based on certain client-imposed restrictions. For more information about the restrictions clients can put on their accounts, see ***Tailored Services and Client Imposed Restrictions*** in this Item below.

##### *Other Services and Limitations*

LCM does not provide tax or legal advice. It is the client's responsibility to consult with tax advisors as needed.

#### Unmanaged Assets

At its discretion, LCM may offer securities trading activities for a client's unmanaged assets within their account, acting as an intermediary between the client and the custodian. We do not generally provide investment advice regarding a client's unmanaged assets or provide opinions as to the merits of any unmanaged securities. We also do not make any judgments as to the appropriateness of assumed risk or suitability of any unmanaged investment given the client's



situation. At our discretion, LCM offers this service in consideration of the client's other accounts that we manage.

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

LCM manages client accounts based on the investment strategy the client chooses, as discussed below under ***Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss***. LCM applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations/investment selections may not be suitable if the client does not provide us with accurate and complete information. It is the client's responsibility to keep LCM informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account or does not want LCM to buy or sell certain specific securities or security types in the account. LCM reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

### **Wrap Fee Program**

We do not manage accounts as part of a wrap or bundled fee program.

### **Assets Under Management**

As of December 31, 2023, LCM managed assets on a discretionary basis in the amount of \$165,765,656.

## **ITEM 5 - FEES AND COMPENSATION**

### **Fee Schedule**

#### *Investment Management Services*

Fees for our services are computed quarterly on the aggregate value of each portfolio, and payable quarterly during the last month of each quarter (one month in advance and two months in arrears). The annual fee schedule is as follows:

Assets Under Management	Annual Fee
Up to \$500,000	1.5%
Next \$1,500,000	1.0%
\$2,000,000+	0.75%

At our discretion, LCM will negotiate fees which are lower than those set forth above. Some accounts are under different fee schedules honoring prior agreements. LCM manages the accounts of Scott Lewis and his relatives at a reduced fee or without charge. LCM aggregates related account balances of clients within the same household for purposes of achieving the advisory fee breakpoints listed above.

Some individuals and institutions may wish to consult with LCM on an hourly basis. Fees for such services will generally be \$250 per hour. Under certain circumstances, the per hour fee may be less than this amount. For example, lesser fees may be charged to non-profit organizations.

No initial fee is charged for consultative meetings at the onset of client account management. LCM does not receive any compensation for the sale of securities or other investment products. There will be no assignment of the advisory agreement without the client's consent.

## **Billing Method**

LCM's advisory fees are payable quarterly at the beginning of the last month of each calendar quarter. We charge one fourth of the annual fee each quarter based on the market value of the client's portfolio as of the last business day of the prior calendar quarter. The formula used for the calculation is as follows:  $(Annual\ Rate) \times (Total\ Assets\ Under\ Management\ at\ Quarter-End) / 4$ . At our discretion, LCM credits advisory fees for large withdrawals made during the quarter.

With client authorization, LCM will instruct the custodian to automatically withdraw our advisory fee from the client's account. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of the advisory fee.

## **Other Fees and Expenses**

Clients incur trading commissions and trade-away fees charged by the account custodian. See ***Item 12 – Brokerage Practices*** below.

LCM's fees do not include custodian fees. Clients pay all brokerage commissions, bond broker fees, stock transfer fees, margin charges, foreign exchange and settlement fees, and/or other charges incurred in connection with transactions in accounts, from the assets in the account. These charges are in addition to the fees client pays to LCM. See Item 12 - Brokerage Practices below for more information.

If mutual fund shares are held in a client's account, the client will be subject to deferred sales charges, 12b-1 fees, early redemption fees, and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to LCM for investment management services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares.

## **Termination**

Either party may terminate the advisory agreement at any time. LCM will refund any prepaid, unearned advisory fees based on the effective date of termination or death of any client, using the following formula:  $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$ .

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

LCM does not charge performance-based fees or employ side-by-side management practices.

## **ITEM 7 - TYPES OF CLIENTS**

LCM provides services for individuals, trusts, estates, retirement plan accounts, corporations, foundations, and estates.

The minimum portfolio size for ongoing management is \$500,000, negotiable at Scott Lewis' discretion, and we generally combine family accounts to meet the minimum. Clients are selected based on their fit, risk-tolerances, and their alignment with the LCM investment philosophy.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

LCM manages equity investments primarily using individually selected common stocks, and occasionally stock exchange traded funds (ETFs) and mutual funds. Analysis and selection of the individual stocks is based on the cumulative investment experience and research of Scott Lewis and is described in more detail below.

LCM manages bond investments using corporate, government, agency, bank certificates and/or municipal securities, depending on what is most suitable to a client's financial situation and what issues are most attractively priced. Evaluation of individual bonds that are rated "BBB-" or higher by a recognized ratings agency are generally selected based on such ratings, and on Scott Lewis' general investment knowledge. For bonds rated lower than BBB-, a review of the issuing corporation's financial statements is undertaken. Occasionally bond ETFs or mutual funds are purchased for clients.

LCM sometimes also uses hybrid securities which have attributes of both stocks and bonds. Such securities include convertible bonds and preferred stocks.

For cash, we usually invest in the money market funds offered by the account custodian.

LCM recommends an initial allocation of assets (among stocks, bonds, cash, and other assets) based on client objectives, investment planning horizon, risk tolerance and client preferences. If there are significant changes in the client's circumstances, or in the economic environment, appropriate changes are made.

While LCM is concerned with timing and adjusting policies as the investment outlook changes, LCM does not generally attempt to predict short and intermediate term moves of the market or individual stocks.

### **Investment Strategies**

LCM utilizes a value strategy, investing in companies that we believe are trading significantly below their underlying value, and over time can potentially appreciate to reflect their legitimate worth.

Our primary strategy for finding such undervalued companies is to develop and run computer screens which search a financial database of substantially all publicly traded domestic companies. These screens identify stocks which have a combination of financial characteristics we believe can indicate undervaluation of the shares.

LCM then gathers and evaluates information on the companies identified by the screening software. This information primarily comes from the following sources:

- Company published information - annual & quarterly reports, 10K reports, prospectuses, proxy statements, news releases and investor presentations;
- Zacks Investment Services Database and Reports – database compiled and maintained by Zacks which includes current and historical data on over 8,000 publicly traded companies, their business segments, geographical reach, competitors, and financial attributes.
- Research provided by brokerage firms - economic, industry, and company analysis;
- General information on business and finance as provided by: (a) daily newspapers, (b) weekly newspapers, (c) periodicals, (d) professional journals, (e) industry journals, and (f) investment websites;
- Presentation by company management before financial analysts and on earnings release conference calls;
- Industry trade shows and professional conferences; and
- Network of other investment managers.

Based on this information gathered about a company's finances and business prospects, and applying Scott Lewis' investment judgment, LCM determines whether a stock appears to be trading significantly below its underlying value and should be included in clients' portfolios.

### Asset Allocation – Stocks, Bonds and Cash

Asset allocation represents the balance between risk and potential return. LCM uses asset allocation to create portfolios in alignment with a client's individual objectives and circumstances. There are generally two kinds of assets in a portfolio: higher-risk assets, mainly comprising stocks, and lower-risk assets, mainly bonds and cash. Individual risky assets can sustain losses, under extraordinary circumstances, of more than 50% (up to 100%), whereas lower-risk assets should be expected to retain most of their *nominal* (i.e., unadjusted for inflation) value. Even lower-risk bond assets can sustain significant losses.

LCM considers only the volatility of the overall portfolio in constructing its design; this is determined primarily by the mix of higher-risk and lower-risk assets. Clients should carefully consider how much of their portfolio they desire to allocate to equity securities, as investing in equity securities entails significant risk of loss.

### Equity Portfolio Characteristics

Portfolios are diversified among companies and industries, but no attempt is made to track any stock indices. Typically LCM portfolios hold between 10 and 25 individual stocks. As the total number of stocks held is relatively small compared to the broad market, stock selection can have a significant positive or negative impact on the portfolio's performance.

LCM has no market capitalization floor or ceiling for the companies purchased for client portfolios. A client's portfolio sometimes holds only small (including micro) capitalization

companies, or a mix of small and large capitalization companies, or only large capitalization companies, depending upon what companies LCM finds attractive for investment.

Smaller market capitalization companies are often less well capitalized than larger companies, and their shares tend to be more volatile and less liquid than larger companies' shares. Due to the foregoing small cap equity risk factors, many investment managers will only invest a relatively small portion of a client's equity assets in smaller capitalization securities. At LCM, we believe that the primary way to reduce a client's risk is through asset allocation between stock (higher risk) and bond (lower risk) investments. Accordingly, we address a client's risk tolerance by setting an appropriate overall equity to bond allocation, and do not attempt to limit the amount of smaller capitalization equities within the stock portion of a portfolio.

In addition, client equity portfolios are sometimes quite concentrated during times when Lewis can find only a limited number of attractive investments, which can increase volatility and risk of loss.

### *Bond Portfolio Characteristics*

LCM primarily invests in "investment grade" bonds, which are bonds rated BBB- or higher by one or more recognized investment ratings agencies. LCM will also occasionally invest in bonds rated lower than BBB- or that are unrated. We only invest in non-investment grade bonds if Scott Lewis, upon a review of the issuer's financial statements and other information, believes that the additional yield offered by such securities adequately compensates for the additional risk.

## **Investing Involves Risk**

Prior to entering into an agreement with LCM, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility;
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested; and
4. That clients should only commit assets that they feel are available for investment on a long-term basis.

## **Specific Security Risks**

### General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

### Equity Securities

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of stocks and the income they generate (such as dividends) may fluctuate based on events specific to the company that issued the shares, conditions affecting the

general economy and overall market changes, changes or weakness in the business sector the company does business in, and other factors. Further, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

There may be little trading in the secondary market for particular equity securities, which may adversely affect the ability to dispose of those equity securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of equity securities.

### *Small Capitalization Equity Securities*

Investing in smaller companies may pose additional risks as it is often more difficult to dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks may be more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

### *Securities with Equity and Debt Characteristics*

Some securities have a combination of equity and debt characteristics. These securities may at times behave more like equity than debt or vice versa. Some types of preferred stocks or other preferred securities automatically convert into common stocks or other securities at a stated conversion ratio, and some may be subject to redemption at the option of the issuer at a predetermined price. These securities, prior to conversion, may pay a fixed rate of interest or a dividend. Because convertible securities have both debt and equity characteristics, their values vary in response to many factors, including the values of the securities into which they are convertible, general market and economic conditions, and convertible market valuations, as well as changes in interest rates, credit spreads and the credit quality of the issuer.

These securities may include hybrid securities, which also have equity and debt characteristics. Such securities are normally at the bottom of an issuer's debt capital structure. As such, they may be more sensitive to economic changes than more senior debt securities. Investors may also view these securities as more equity-like by the market when the issuer or its parent company experience financial problems.

The prices and yields of nonconvertible preferred securities or preferred stocks generally move with changes in interest rates and the issuer's credit quality, similar to the factors affecting debt securities. Nonconvertible preferred securities may be treated as debt for account investment limit purposes.

### *Preferred Stocks*

Preferred stock is a class of ownership in a corporation that has a higher claim on the assets and earnings than common stock. Preferred stock generally has a dividend that must be paid out before dividends to common stockholders. In addition, preferred shares usually do not have voting rights. Each preferred offering is structured specific to the issuing corporation's needs. Preferred shareholders have priority over common stockholders on earnings and assets in the event of liquidation and they have a fixed dividend (paid before common stockholders), but investors must weigh these positives against the negatives, including giving up their voting rights and less potential for appreciation.



### Exchange-Traded Funds (ETFs)

An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) containing a basket of equity and/or fixed income investments. Typically, the objective of an ETF is to achieve returns similar to a particular market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies that are included in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market may affect ETF prices. Similarly, factors affecting a particular industry segment may affect ETF prices that track that particular sector. ETFs traditionally have been index funds, but in 2008, the U.S. Securities and Exchange Commission began to authorize the creation of actively managed ETFs.

### Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include:

#### *Professionally Managed*

Mutual funds are professionally managed by investment advisers who research, select, and monitor the performance of the securities the fund purchases.

#### *Diversification*

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.

#### *Affordability*

Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.

#### *Liquidity*

At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages:

#### *Costs Despite Negative Returns*

Investors must pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors often also have to pay taxes on

any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

### *Lack of Control*

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

### *Price Uncertainty*

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### *Different Types of Funds*

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called “fixed income” funds), and stock funds (also called “equity” funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

#### *Money Market Funds*

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why “inflation risk,” the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

#### *Bond Funds*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

#### *Credit Risk*

There is a possibility that companies or other issuers will fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds.



By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

### *Interest Rate Risk*

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

### *Stock Funds*

Although a stock fund's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same.

### *Tax Consequences of Mutual Funds*

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor often has to pay taxes each year on *the fund's capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

### *Debt Securities (Bonds)*

Issuers use debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero-coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

Certain additional risk factors relating to debt securities include:

### *Reinvestment Risk*

When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

### *Inflation Risk*

Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known

as “cash flows.” Inflation also leads to higher interest rates, which in turn leads to lower bond prices.

#### *Interest Rate and Market Risk*

Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices.

#### *Call Risk*

Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors.

Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond to a risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

#### *Credit Risk*

If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it.

#### *Liquidity and Valuation Risk*

There may be little trading in the secondary market for particular debt securities, which may adversely affect the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

It may be possible to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that we will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

Bond rating agencies may assign modifiers (such as +/-) to ratings categories to signify the relative position of a credit within the rating category. Unless we state otherwise, clients should include any security within that category without considering the modifier when reading their investment policies based on ratings categories.

#### *High-Yield Debt*

Lower rated debt securities generally have higher rates of interest and involve greater risk of default or price changes due to changes in the issuer's creditworthiness than higher rated debt

securities. The market prices of these securities may fluctuate more than higher quality securities and may decline significantly in periods of general economic difficulty.

There may be little trading in the secondary market for high-yield debt securities, which may make them more difficult to value or sell. The prices of, and the income generated by, most debt securities held by client accounts may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities in client accounts generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, “call” or refinance a security before its stated maturity, which may result in the fund having to reinvest the proceeds in lower yielding securities.

All debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than shorter maturity debt securities.

### *Municipal Bonds*

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond’s tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor’s tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk. Investing in municipal bonds carries risk unique to these types of bonds, which may include:

#### *Legislative Risk*

Legislative risk includes the risk that a change in the tax code could affect the value of taxable or tax-exempt interest income.

#### *Tax-Bracket Changes*

Municipal bonds generate tax-free income, and therefore pay lower interest rates than taxable bonds. Investors who anticipate a significant drop in their marginal income-tax rate may benefit from the higher yield available from taxable bonds.

### *Obligations Backed by the "Full Faith and Credit" of the U.S. Government*

U.S. government obligations include the following types of securities:

#### *U.S. Treasury Securities*

U.S. Treasury securities include direct obligations of the U.S. Treasury, such as Treasury bills, notes, and bonds. For these securities, the U.S. government unconditionally guarantees the payment of principal and interest, resulting in the highest possible credit quality. Fluctuations in interest rates subject U.S. Treasury securities to variations in market value. However, they are paid in full when held to maturity.

### *Federal Agency Securities*

Certain U.S. government agencies and government-sponsored entities guarantee the timely payment of principal and interest with the backing of the full faith and credit of the U.S. government. Such agencies and entities include The Federal Financing Bank (FFB), the Government National Mortgage Association (Ginnie Mae), the Veterans Administration (VA), the Federal Housing Administration (FHA), the Export-Import Bank (Exim Bank), the Overseas Private Investment Corporation (OPIC), the Commodity Credit Corporation (CCC) and the Small Business Administration (SBA).

### *Other Federal Agency Obligations*

Additional federal agency securities neither are direct obligations of, nor guaranteed by, the U.S. government. These obligations include securities issued by certain U.S. government agencies and government-sponsored entities. However, they generally involve some form of federal sponsorship: some operate under a government charter; specific types of collateral back some; the issuer's right to borrow from the Treasury supports some; and only the credit of the issuing government agency or entity supports others. These agencies and entities include but are not limited to the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and the Tennessee Valley Authority and Federal Farm Credit Bank System.

### *Cash and Cash Equivalents*

The account may hold cash or invest in cash equivalents. Cash equivalents include:

1. Commercial paper (for example, short-term notes with maturities typically up to 12 months in length issued by corporations, governmental bodies or bank/corporation sponsored conduits (asset-backed commercial paper));
2. Short-term bank obligations (for example, certificates of deposit, bankers' acceptances (time drafts on a commercial bank where the bank accepts an irrevocable obligation to pay at maturity)) or bank notes;
3. Savings association and savings bank obligations (for example, bank notes and certificates of deposit issued by savings banks or savings associations);
4. Securities of the U.S. government, its agencies or instrumentalities that mature, or may be redeemed, in one year or less;
5. Treasury ETFs, which may hold fixed income securities of varying maturities issued by government agencies, floating rate treasury bonds, and TIPS; and
6. Corporate bonds and notes that mature, or that may be redeemed, in one year or less.

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

## **ITEM 9 - DISCIPLINARY INFORMATION**

LCM and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. LCM does not have any disciplinary information to disclose.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

LCM is completely independent and has no affiliations with any other firm. While substantially all of our client accounts are currently held at Charles Schwab & Co., we can use any other custodian as we are not affiliated with Schwab (see *Item 12 – Brokerage Practices* below).

## ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### Summary of LCM Code of Ethics

LCM has adopted a Code of Ethics (the “Code”), a copy of which is available to any client or perspective client by written or verbal request to Scott Lewis at the contact information on the front page of this brochure. A summary of the Code follows.

#### Section I. Compliance with Laws and Regulations

All personnel must comply with applicable federal and state securities laws, which prohibit any person from engaging in any fraudulent, misleading, or manipulated actions with respect to clients or securities.

#### Section II. Conflicts of Interest

As a fiduciary, LCM has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients, and equally towards all clients. We can comply with this duty by diligently striving to avoid conflicts of interest and by fully disclosing all material facts concerning any conflict that does arise with respect to any client.

#### Section III. Insider Trading

LCM forbids any employee from trading, either personally or on behalf of others, including client accounts, on material non-public information or communicating material non-public information to others in violation of law. This conduct is frequently referred to as "insider trading."

LCM's prohibition extends to any employee's activities within and outside his/her duties at LCM.

#### Section IV. Personal Securities Transactions

No securities transactions will be entered into by LCM or its employees if such transactions would cause economic harm to a client. To effect the foregoing, no trades shall be made by LCM or its employees in the same security on the same day as in any client account, unless such trade is part of a block trade where all of the client accounts and the LCM-related account(s) receive the same price.

#### Section V. Gifts and Entertainment

A conflict of interest occurs when the personal interests of employees interfere or could potentially interfere with their responsibilities to LCM and its clients. Supervised persons should not accept large gifts, favors, entertainment, special accommodations, or other things of material value that could influence their decision-making or make them feel beholden to a person or firm. Supervised persons should not offer gifts, favors, entertainment or other things of value that could

be viewed as overly generous or aimed at influencing decision-making or making a client feel beholden to the firm or the supervised person.

#### Section VI. Confidentiality

LCM shall keep all information about clients (including former clients) in strict confidence, including the client's identity (unless the client consents), the client's financial circumstances, the client's security holdings, and advice furnished to the client by the firm.

#### Section VII. Marketing and Promotional Activities

All oral and written statements, including those made to clients, prospective clients, their representatives, or the media, must be professional, accurate, balanced, and not misleading in any way.

### **Personal Trading**

All employees of LCM are required to obtain prior consent of LCM's president for any trades done in their own account. Such trades generally take place in securities which are the same as securities being purchased and sold on behalf of clients. However, no such transactions will be entered into if in the opinion of LCM's president, such transactions would cause economic harm to the client. Furthermore, LCM has a policy which prohibits employee purchases or sales of a security on the same day as a purchase or sale of such security for a client, unless such trade is part of a single block trade where all accounts (clients and LCM employees) receive the same price. It is possible that employees will purchase or sell the same security as a client a day or more in advance of or after a client and receive a more favorable price than the client receives a day or more later or earlier. However, LCM has a policy which prohibits employee trades in a security while such security is actively being researched by LCM to determine if client purchases or sales should be undertaken.

## **ITEM 12 - BROKERAGE PRACTICES**

### **The Custodian and Brokers We Use**

LCM does not maintain custody of your assets that we manage, although we are deemed to have custody of your assets if you give us authority to withdraw assets from your account (see **Item 15 - Custody**, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We request that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Currently, substantially all of our client accounts are held by Schwab.

Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we request that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we generally assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "*Your Brokerage and Custody Costs*").



### How We Select Brokers/Custodians

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.)
- Reputation, financial strength, and stability
- Availability of other products and services that benefit us, as discussed below (see *"Products and Services Available to Us From Schwab"*)

### Your Brokerage and Custody Costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *"How We Select Brokers/Custodians"*).

### Products and Services Available to Us From Schwab

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at

least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

### *Services That Benefit You*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

### *Services That May Not Directly Benefit You*

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

### *Services That Generally Benefit Only Us*

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.



LCM has used all of the above-mentioned Schwab provided services from time to time.

### *Our Interest in Schwab's Services*

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to request that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us.

### **Trade Away or Prime Brokerage Trades**

#### *Best Execution*

LCM can sometimes receive better trade execution through a broker/dealer that is not the custodian of the account. This type of trade typically happens where LCM is looking to buy or sell a large block of stock, and a broker/dealer other than Schwab may be able to facilitate the transaction at a more favorable total cost (i.e., price plus commissions) to the client, even though the per share commission rate is typically higher at the non-custodial broker/dealer. For bond trades, when looking to buy or sell a particular bond, such bond may only be available (or available at a better price) through a broker/dealer that is not the custodian of the account. Schwab charges the account approximately \$29 to settle a trade that is executed by a non-custodial broker/dealer.

These non-custodial broker/dealers have provided LCM with written investment research reports from time to time. We use this research to service all or a substantial number of our clients' accounts, but not all accounts may benefit. This could lead to a conflict of interest when determining whether to use a non-custodian broker/dealer (see "Research and Soft Dollar Practices" below).

#### *Research and Soft Dollar Practices*

Our firm sometimes uses a broker/dealer who provides useful research services even though a lower commission is typically be charged by the custodial broker/dealer or a broker/dealer who offers no research service. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

The primary criteria in selecting a broker/dealer for a non-custodial trade are the quality of research and execution services. In this regard, our firm will consider the quality and accessibility of the broker's analysis, the scope of industry coverage and the quality and frequency of written research reports, dealing with macroeconomic issues, specific industries, and individual

companies. LCM reviews, on a periodic basis, the firms utilized, and the quality of services received.

Consistent with obtaining best execution for clients, LCM sometimes directs brokerage transactions for clients' portfolios to brokers who provide research and execution services to us and, indirectly, to our advisory clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our firm's own internal research and investment strategy capabilities. This may be done without prior agreement by the client (and done at our firm's discretion). Research services obtained through the use of soft dollars are generally developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker.

Our firm does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research our firm receives will help fulfill its overall duty to its clients. We may not use each particular research service, however, to service each client. As a result, a client can pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker/dealers selected by LCM are paid commissions for effecting transactions for our clients that exceed the amounts other broker/dealers would have charged for effecting these transactions when our firm determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker/dealers, viewed either in terms of a particular transaction or LCM's overall duty to its discretionary client accounts.

The research services provided are generally used for the benefit of all accounts, including those of LCM and employees. Also, not all of the research or services received are utilized by or benefit the account(s) which paid the commissions.

We have obtained economic, fixed income and equity research on soft-dollar basis. Our general practice is to try to direct research commissions to specific brokerage firms in exchange for their research services. When our clients provide us with discretionary authority for brokerage, we sometimes use the brokerage commissions to obtain such research. However, our firm does not make or have any formal or informal commitments to any broker or dealer to compensate any firm for research obtained. A potential conflict of interest arises between the client's interest in obtaining best execution and our interest in continuing to receive research from any firm.

When LCM uses client brokerage commissions to obtain research or brokerage services, it receives a benefit to the extent that we do not have to produce such products internally or compensate third-parties with its own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, whereby our firm has an incentive to direct client brokerage to those brokers who provide research and services utilized by our firm, even if these brokers do not offer the best price or commission rates for our clients.

LCM conducts periodic brokerage reviews, analyzing price, commissions, research and services offered by the various brokers used and volume of client commissions directed to each broker.

## **Directed Brokerage**

LCM does not allow clients to direct us to use a specific broker-dealer to execute transactions. Clients must use the broker-dealers that LCM requires to custody their account(s) to execute transactions. LCM makes an exception to this policy to honor prior agreements. Not all investment advisers require their clients to trade through specific brokerage firms. By requiring clients to use Schwab, LCM believes we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio.

Since we require most of our clients to maintain their accounts with Schwab, it is also important for clients to consider and compare the significant differences between having assets custodied at another broker-dealer, bank, or other custodian prior to opening an account with us. Some of these differences include, but are not limited to total account costs, trading freedom, transaction fees/commission rates, and security and technology services.

Clients with 401(k) accounts are not required to use Schwab and may appoint a custodian of their choosing.

## **Trade Aggregation and Block Trades**

LCM generally aggregates orders for clients in the same securities in an effort to seek best execution, negotiate more favorable commission rates, and/or allocate differences in prices, commissions, and other transaction costs equitably among our clients. These are benefits of aggregating orders that we might not obtain if we placed those orders independently. Aggregating trades in like securities among client accounts as well as with accounts of LCM and our personnel presents a potential conflict of interest as it could create an incentive to allocate more favorable executions to our own accounts or the accounts of our personnel.

Our policies to address this conflict are as follows:

1. We disclose our aggregation policies in this brochure;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek best execution (which includes the duty to seek best price) for our clients. The trade also needs to be consistent with the terms of our investment advisory agreement with each client that has an account included in the aggregation;
3. No advisory account will be favored over any other account. This includes accounts of LCM or any of our personnel. Each account in an aggregated trade will participate at the average share price for all of our transactions in a given security on a given business day (per portfolio manager and per custodian). All accounts will pay their individual transaction costs;
4. Before entering an aggregated order, we will prepare a written statement (the "Allocation Statement") specifying the participating accounts and how we intend to allocate the order among those accounts;

5. If the aggregated order is filled entirely, we will allocate shares among clients according to the Allocation Statement; if the order is partially filled, we will allocate it pro-rata according to the Allocation Statement;
6. Notwithstanding the foregoing, we may allocate the order differently than specified in the Allocation Statement if all client accounts receive fair and equitable treatment. In this case, we will explain the reasons for a different allocation in writing, which the CCO must approve no later than one hour after the opening of the markets on the trading day following the day the order was executed;
7. Our books and records will separately reflect each aggregated order and the securities held by, bought, and sold for each client account;
8. Funds and securities of clients participating in an aggregated order will be deposited with one or more qualified custodians. Clients' cash and securities will not be held collectively any longer than is necessary to settle the trade on a delivery versus payment basis. Following settlement, cash or securities held collectively for clients will be delivered out to the qualified custodian as soon as practical;
9. We will not receive additional compensation or remuneration of any kind as a result of aggregating orders; and
10. We will provide individual investment advice and treatment to each client's account.

## **ITEM 13 - REVIEW OF ACCOUNTS**

### **Account Reviews**

The accounts are under continuous supervision. Investment recommendations are made on an ongoing basis. LCM recommends meeting with clients at least semi-annually, and, in some cases, quarterly, to review the investment outlook, investment goals and objectives, investment policies and strategies, procedures, and the portfolio. Between meetings there is email and telephone communication. LCM relies on clients to inform us of any material changes to their personal circumstances. Scott Lewis, President, reviews and supervises all accounts.

### **Reports**

Quarterly written reports are mailed to clients detailing investment holdings and valuations as of the last business day of the quarter. Performance information is also included if requested by the client.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

### **Solicitors**

LCM does not provide compensation for referrals.

## Schwab Support Products and Services

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 - Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## Outside Compensation

LCM may refer clients to unaffiliated professionals for specific needs, such as insurance, mortgage brokerage, real estate sales, and estate planning, legal, and/or tax/accounting services. In turn, these professionals may refer clients to LCM for advisory services. We do not have any agreements with individuals or companies that we refer clients to, and we do not receive any compensation for these referrals. However, it could be concluded that LCM is receiving an indirect economic benefit from the arrangement, as the relationships are mutually beneficial. For example, there could be an incentive for us to recommend services of firms who refer clients to LCM.

LCM only refers clients to professionals we believe are competent and qualified in their field, but it is ultimately the client's responsibility to evaluate the provider, and it is solely the client's decision whether to engage a recommended firm. Clients are under no obligation to purchase any products or services through these professionals, and LCM has no control over the services provided by another firm. Clients who choose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to fees charged by LCM.

If the client desires, LCM will work with these professionals or the client's other advisors (such as an accountant or attorney) to help ensure that the provider understands the client's financial plan/investments and to coordinate services for the client. LCM does not share information with an unaffiliated professional unless first authorized by the client.

## ITEM 15 - CUSTODY

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. Schwab maintains actual custody of your assets.

LCM is also deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and under that SLOA authorize us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab's account statements to the periodic portfolio reports you will receive from us.

## ITEM 16 - INVESTMENT DISCRETION

LCM has limited authorization for each client account, allowing LCM to enter transactions directly for client portfolios. Typically, these are done without discussing them with the client first. However, the client may restrict the advisor from buying certain types of investments or place other limitations for their portfolio management. This investment discretion is granted to LCM in the new client agreement signed by the client at the outset of investment management services.

Additionally, when the client opens an account with the custodian, the client signs certain parts of the new account documents to grant discretionary authorization known as “trading authorization” to LCM. This is the authorization for LCM to enter trades directly with the custodian.

In addition, clients sign other parts of the new account document to authorize discretionary power to LCM known as “disbursement authorization” and “fee payment authorization.” Disbursement authorization allows LCM to initiate cash disbursements from the client’s account to identically registered accounts at other financial institutions, and by check made payable to the name of the account and mailed to the accounts address of record. Fee payment authorization allows LCM to instruct the custodian to deduct our management fees from the account and remit them to LCM.

## ITEM 17 - VOTING CLIENT SECURITIES

LCM generally votes proxies for securities that are held in client accounts. We have adopted written policies and procedures designed to facilitate voting client securities in the best interests of clients. You may obtain information from us about how we voted proxies for securities in your account, or generally about our proxy voting policy, on request by telephone or email. You may also obtain a copy of our complete proxy voting policies and procedures upon request. A summary of LCM’s Proxy Voting Policies and Procedures is as follows:

Due to labor-intensive nature of evaluating the various management and shareholder proposals outlined in the proxy, LCM typically does not vote the proxies of companies when the firm has an insignificant share position, or when the position is not one that selected through LCM’s research process (i.e., the client selected the stock on their own, or owned it prior to becoming a client of LCM). We have established an ownership threshold of 1/10<sup>th</sup> of 1% (.001) of the shares outstanding in order to vote the proxy. When LCM owns more than 1/10<sup>th</sup> of 1% of the shares outstanding, or when the position is established by us, then we will vote the proxy. In this way, we are best able to devote our time to researching proxy proposals that will have the greatest potential impact on the financial interests of our clients.

### How We Vote Proxies

We generally vote proxies with a view to enhancing shareholder value. The financial interest of our clients is paramount in our determining how to vote. In the case of social or political responsibility issues that in our view do not materially involve financial considerations, it is not possible to represent fairly the diverse views of our clients. Unless a client has instructed us otherwise, Lewis Capital generally votes in accordance with management recommendations on these issues. When making proxy voting decisions, LCM generally adheres to proxy voting guidelines included in the Proxy Voting Policy which set forth LCM’s position on recurring

issues. Generally, we do not allow clients to direct our vote in a particular solicitation; however, we reserve the right to make exceptions at our discretion.

### Conflicts

Given the small size of LCM, it is unlikely that we would encounter a material conflict in voting client proxies. However, we still have a duty to recognize a material conflict and to resolve the conflict before voting the proxy. If we do encounter a proposal that involves a material conflict of interest on our part, unless otherwise instructed by the client, we will take one of the following actions to ensure the proxy voting decision is based on the client's best interests and is not a result of the conflict:

- Engage an independent party to determine how to vote the proxy;
- Vote in proportion to other shareholders;
- Refer the proxy to a client or to a representative of the client for voting purposes; or
- Disclose the conflict to the affected clients and seek their consent to vote the proxy prior to casting the vote.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. LCM does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.



# Form ADV, Part 2B Brochure Supplement

**Scott C. Lewis, CFA®**

**LEWIS CAPITAL MANAGEMENT, LLC**

9454 Wilshire Blvd, Suite M-1

Beverly Hills, CA 90212

Phone: (310) 276-1262

**March 8, 2022**

This brochure supplement provides information about Scott Lewis that supplements the Lewis Capital Management, LLC brochure. You should have already received a copy of that brochure. Please contact Scott Lewis at the above telephone number if you did not receive our brochure or if you have any questions about the contents of this supplement. Additional information about Scott Lewis is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Scott Lewis

### ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**Scott C. Lewis**, President, Portfolio Manager, Chief Compliance Officer

Scott C. Lewis was born on June 10, 1965, and is a native of Los Angeles. He received a B.A in Economics, with honors, from U.C. Berkeley in 1987, and a J.D., with honors, from the University of Michigan Law School in 1991. From 1997 until 2000 he was an associate portfolio manager at Joel R. Mogy Investment Counsel, Inc. (“JRM”), an investment advisory firm with approximately 130 clients and over one billion dollars under management (as of April 2000). At JRM, Scott was involved in all areas of investment counseling, and worked closely with Mr. Mogy in managing the firm’s portfolios. In addition to portfolio management, his responsibilities at JRM included equity and fixed income analysis, trading, and client relationship matters.

In June of 2000, Mr. Lewis left JRM to initiate and organize his own investment advisory firm. He is solely responsible for the formulation of investment philosophy, policies, strategies, portfolio management, and security selection at LCM.

Prior to his employment at JRM, Mr. Lewis practiced corporate securities law at the international law firm of Latham & Watkins from 1992 until 1997. His clients during this period included major Wall Street firms such as Morgan Stanley, Merrill Lynch, Smith Barney, and Salomon Brothers, as well as major corporations such as The Walt Disney Company and Chemical Bank.

Mr. Lewis is a member of the CFA Society of Los Angeles, the CFA Institute, and the State Bar of California. He is a Chartered Financial Analyst.

#### Professional Designations

##### *Chartered Financial Analyst*

The Chartered Financial Analyst® (“CFA®”) designation is sponsored by the CFA Institute. To earn a CFA® charter, candidates must have four years of qualified investment work experience, become a member of CFA Institute, pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis, apply for membership to a local CFA® member society, and complete the CFA® Program. The CFA Program® is organized into three levels, each culminating in a six-hour exam. The three proctored course exams correspond to three 250-hour self-study levels. Completing the Program takes most candidates between two and five years. More information regarding the CFA® is available at <https://www.cfainstitute.org>.

### ITEM 3 - DISCIPLINARY INFORMATION

Scott C. Lewis has no disciplinary history to disclose.

### ITEM 4 - OTHER BUSINESS ACTIVITIES

Scott Lewis is the principal of LCM. There are no other business interests that provide compensation or conflicts of interest.

## **ITEM 5 - ADDITIONAL COMPENSATION**

Scott Lewis receives no compensation for rendering investment advice or services except from client of LCM.

## **ITEM 6 - SUPERVISION**

Scott Lewis supervises the activities of LCM, including all full or part-time employees.

## FACTS

### WHAT DOES LEWIS CAPITAL MANAGEMENT LLC ("LEWIS") DO WITH YOUR PERSONAL INFORMATION?

#### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- account balances and transaction history
- assets and risk tolerance

When you are *no longer* our customer, we continue to share your information as described in this notice.

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Lewis chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Lewis share?	Can you limit this sharing?
<b>For our everyday business purposes</b> - as permitted by law	YES	NO
<b>For our marketing purposes</b> - to offer our products and services to you	NO	We Don't Share
<b>For joint marketing with other financial companies</b>	NO	We Don't Share
<b>For our affiliates' everyday business purposes</b> - information about your transactions and experiences	NO	We Don't Share
<b>For our affiliates' everyday business purposes</b> - information about your creditworthiness	NO	We Don't Share
<b>For nonaffiliates to market to you</b>	NO	We Don't Share

#### Questions?

Call (310) 276-1262 or go to [www.lewiscm.com](http://www.lewiscm.com)

## WHO WE ARE

Who is providing this notice?	Lewis Capital Management LLC ("Lewis")
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## WHAT WE DO

How does Lewis protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Lewis collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"><li>• seek advice about your investments</li><li>• enter into an investment advisory contract</li><li>• tell us about your investment or retirement portfolio</li><li>• tell us about your investment or retirement earnings</li><li>• give us your contact information</li></ul> <p>We also collect your personal information from other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"><li>• sharing for affiliates' everyday business purposes - information about your creditworthiness</li><li>• affiliates from using your information to market to you</li><li>• sharing for nonaffiliates to market to you</li></ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>

## DEFINITIONS

Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"><li>• <i>Lewis has no affiliates.</i></li></ul>
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and non-financial companies.</p> <ul style="list-style-type: none"><li>• <i>Lewis does not share with nonaffiliates so they can market to you.</i></li></ul>
Joint Marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"><li>• <i>Lewis doesn't jointly market.</i></li></ul>