



# **Leisure Capital Management, Inc.**

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

June 25, 2014

This brochure provides information about the qualifications and business practices of Leisure Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (714) 384-4050 or [info@leisurecapital.com](mailto:info@leisurecapital.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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Leisure Capital Management, Inc. or any person associated with Leisure Capital Management, Inc. has achieved a certain level of skill or training. Additional information about Leisure Capital Management, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## 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.

Leisure Capital Management, Inc. ("LCM") reviews and updates our brochure at least annually to confirm that it remains current. We have not made material changes since the annual update to our brochure, dated March 26, 2013.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Leisure Capital Management, Inc. ("LCM," "we," "our," or "us") is a privately owned corporation headquartered in Costa Mesa, CA. LCM is registered as an investment adviser with the U.S. Securities and Exchange Commission.

Marr Leisure founded LCM in 2002.

### Advisory Services Offered

LCM offers the following services to advisory clients:

#### Investment Management Services

LCM offers advice to clients regarding asset allocation and the selection of investments. Investment management services include the design, implementation, and continued monitoring of the client's account. LCM will invest the account on a fully discretionary basis, limited only by the client's individual needs and any restrictions imposed on the account.

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

1. Equity securities, including stocks and foreign securities listed on US exchanges (ADRs)
2. Fixed income securities, including corporate bonds
3. Municipal securities
4. Mutual funds and exchange traded funds (ETFs)
5. U.S. government securities
6. Money market funds and cash

Additionally, our investment selections, depending on the individual investment objectives and needs of the client may include:

1. Securities with equity and debt characteristics, including convertible bonds, preferred stocks or other preferred securities
2. Options, including covered calls
3. Warrants
4. Closed-end funds
5. Treasury inflation-protected securities (TIPS)
6. Inflation-indexed bonds

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. LCM may offer investment advice on any investment held by the client at the start of the advisory relationship. We describe the material investment risks for many of the securities that we utilize under the heading

**Specific Security Risks** in **Item 8** below. We may also offer non-discretionary services depending on client circumstances. We discuss our discretionary authority below under **Item 16 - Investment Discretion**. For more information about the restrictions clients can put on their accounts, see **Tailored Services and Client Imposed Restrictions** in this item below.

We describe the fees charged for investment management services below under **Item 5 - Fees and Compensation**.

#### Consulting Services

LCM offers other financial consulting as requested by the client. We describe the fees charged for consulting services below under **Item 5 - Fees and Compensation**.

#### Limitations on Investments

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

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

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 select investments/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 better options elsewhere.

##### *Mutual Fund Limitations*

LCM generally limits mutual fund selections to no load funds or load-waived equivalents.

##### *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.

#### Non-Managed Assets

LCM may offer securities trading activities for non-managed positions in a client's managed account, acting as an intermediary between the client and the custodian. We do not provide investment advice regarding that portion of the client's managed account designated as non-managed assets nor do we provide opinions as to the merits of any non-managed asset held in the account. We also do not make any judgments as to the appropriateness of assumed risk or suitability of any non-managed investment given the client's situation. LCM offers this service at no charge and at our discretion, 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 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.

## **Assets Under Management**

LCM manages client assets in discretionary accounts on a continuous and regular basis, and on a non-discretionary basis upon a client's request. As of 12/31/2013, the total amount of discretionary assets under our management was \$283,245,616. As of 12/31/13, LCM was not managing any assets on a non-discretionary basis.

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

### **Fee Schedule**

#### *Investment Management Services*

LCM charges advisory fees for investment management services. LCM's advisory fees are charged based on a percentage of the market value of the portfolio, per the following schedules:

<u>Equity and Balanced Accounts</u>	<u>Annual Fee</u>
First \$1,000,000	1.00%
Next \$1,000,000	0.85%
Next \$3,000,000	0.70%
Next \$5,000,000	0.50%
\$10,000,000 +	0.30%
 <u>Fixed Income Accounts</u>	
First \$2,000,000	0.60%
Next \$3,000,000	0.50%
Next \$5,000,000	0.40%
\$10,000,000 +	0.30%
 <u>Special Situations All Cap Strategy</u>	
All amounts	1.60%



Some existing accounts may be under different fee schedules honoring prior agreements. LCM manages some non-profit organizations for a reduced fee. We may also manage employee/family accounts for a reduced fee or without charge. LCM may aggregate client accounts that have family relationships with each other for purposes of determining the advisory fee rate applicable to each client. Our standard fee schedule may be negotiable. At our discretion, we may make pro-rations for significant additions to or withdrawals from a client's account during a quarter. We only make these adjustments when a client's account contributions or withdrawals result in a fee adjustment in excess of \$100. These contributions or withdrawals are reviewed each calendar month, and LCM will send an interim debit or credit instruction to the client and to the client's custodian to adjust for the amount, when applicable.

### Consulting Services

At a client's request, LCM may offer consulting services at an hourly rate of \$200, which may be negotiable depending on the nature and complexity of each client's circumstances. In these instances, we will generally provide an estimate of the total hours required at the start of the relationship.

## **Billing Method**

### Investment Management Services

LCM's advisory fees are payable quarterly in advance at the beginning 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 day of the prior calendar quarter. The formula used for the calculation is as follows:  $(\text{Annual Rate}) \times (\text{Total Assets Under Management at Quarter-End}) / 4$ , rounded to the nearest dollar.

For new client accounts, the first payment is a pro-rata calculation due upon execution of the advisory agreement. The calculation will take into consideration the number of days remaining in the quarter and the initial value of the portfolio. The formula used to calculate the initial advisory fee would be as follows:  $(\text{Result of Quarterly Calculation}) \times (\text{Days Remaining in Quarter}) / (\text{Total Number of Days in Quarter})$ , rounded to the nearest dollar.

With client authorization, LCM will automatically withdraw LCM's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the first month of each quarter based on LCM's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly (typically, monthly). The custodian statement will show the deduction of the advisory fee.

LCM will send a statement to each client who authorizes LCM to withdraw fees directly from the custodian. The statement will show the amount of the fee, the value of the client's assets upon which we based the fee, and the specific manner in which we calculated the fee. It is the client's responsibility to verify the accuracy of the fee calculation. The custodian will not determine whether the fee is properly calculated.

### Consulting Services

One-half of the total estimated hourly fees are due and payable at the time the client executes the agreement. The remainder of the fee is due upon the rendering of consulting services.

## **Other Fees and Expenses**

LCM's fees do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, and/or other similar 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.

In addition, any mutual fund shares held in a client's account may be subject to 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 advisory 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**

### Investment Management Services

Either party may terminate the advisory agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing LCM at our office. LCM will refund any prepaid, unearned advisory fees based on the following formula:  $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$ , rounded to the nearest dollar.

Terminations will not affect liabilities or obligations from transactions initiated in client accounts prior to termination. In the event the client terminates the investment advisory agreement, LCM will not liquidate any securities in the account unless instructed by the client to do so. In the event of client's death or disability, LCM will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

### Consulting Services

LCM considers the consulting agreement to be complete and the agreement terminated upon the rendering of agreed services. In the event that either the client or LCM wishes to terminate the consulting agreement before completion, either party may terminate the agreement at any time by providing written notice to the other party. The client may terminate the agreement at any time by writing LCM at our office. Upon notice of termination, we will provide the client with an invoice for services provided through the date of termination. If the client paid fees in advance that were more than the amount due for services, we will refund any unearned fees.

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

LCM does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## ITEM 7 - TYPES OF CLIENTS

LCM offers discretionary investment advisory services to individuals, high net worth individuals, trusts and estates, individual participants of retirement plans, and charitable organizations. We also offer non-discretionary advisory services to individual participants of retirement plans and/or at a client's request.

### Account Requirements

Generally, LCM requires clients to maintain a minimum account size of \$500,000. Significant funds withdrawal may result in a request for additional fund deposits to continue with management of accounts. We may combine family accounts to meet the account size minimum. LCM may reduce or waive the account minimum requirements at our discretion.

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

### Methods of Analysis and Investment Strategies

#### General Investment Strategies

LCM generally uses diversification in an effort to minimize the risk and optimize the potential return of a portfolio. More specifically, we utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification. Each portfolio composition is determined in accordance with the clients' investment objectives, risk tolerance, and time horizon. LCM selects categories of investments based on the clients' attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of exposure to risk. We deal with any client restrictions on an account-by-account basis.

LCM treats each client uniquely, but client portfolios with a similar investment objectives and asset allocation goals may own similarly modeled securities. Timing and tax factors also influence LCM's investment decisions. Clients who buy or sell exchange-listed securities on the same day may receive different prices. LCM may recommend third-party investment advisers for the management for a portion of the client's portfolio depending on the client's investment objectives and financial situation.

#### Special Situations All-Cap Strategy

LCM offers a Special Situations All-Cap strategy, which uses a value investing approach to identify special situations investments and opportunistic trading events. The strategy seeks to achieve a low correlation to a traditional equity portfolio. We define special situation investments as companies with misunderstood or under-followed investments that trade at a deep discount to their historical valuations. These positions tend to require long term holding periods as we seek to realize the

emergence of various parts of the investment thesis (i.e. management change, bankruptcy emergence, improvement in business or economy, expected reversion to the mean of historical valuation).

The opportunistic portion of the strategy involves buying stocks when other investors are selling on bad news. For example, a bad quarterly report with a sudden subsequent drop in stock price by investor over-reactions could create a trading opportunity that we seek to take advantage of. This is especially true with less followed companies and less liquid/smaller market cap names. If we deem that the future prospects for the company are still attractive after the bad news, then we are willing to “add liquidity” to the market by buying when other investors are trying to exit. These positions can be shorter term in holding period, depending on the stock price performance and general market conditions. We particularly look for opportunities resulting from corporate divestitures, carve-outs, operating turnarounds, businesses operating in bankruptcy, out-of-favor industries and financial restructurings.

### *Methods of Analysis for Selecting Securities*

LCM generally uses fundamental and/or cyclical analysis in the selection of individual equity securities. Additionally, LCM may use specific strategies or resources in the method of analysis and selection of fixed income securities.

#### *Fundamental Analysis*

Fundamental analysis typically involves analysis of corporate financial statements, management presentations, specialized research publications, and general news sources.

LCM generally uses fundamental analysis in the selection of stocks and mutual funds, including the analysis of fund managers, annual reports, and any competitive advantages. Additionally, in analyzing and selecting mutual funds, we use public and private research sources, fund reporting, and fund conference calls. We review key characteristics including historical performance, consistency of returns, risk level, and size of fund. Expense ratio and other costs are also significant factors in fund selection. LCM may also consider cyclical conditions, which is an analysis of business cycles to find favorable conditions for buying and/or selling a security.

#### *Cyclical Analysis*

Cyclical analysis involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

#### *Debt Securities (Fixed Income)*

LCM relies on credit rating agencies such as Standard & Poor’s and Moody’s to help determine the financial strength of issuing creditors. We also use prospectuses and other relevant information from bond underwriters to help in analysis and selection of fixed income securities. Regarding fixed income investments, LCM considers the financial strength of the issuer, call provisions, liquidity factors, and bond insurance in selecting bonds for purchase. LCM may solicit bids from several underwriters (i.e. brokerages) in an effort to obtain the most attractive yield on purchase.

### *Specific Investment Strategies for Managing Portfolios*

LCM may use Modern Portfolio Theory, the Fama/French Three-Factor Model, long-term holding, dollar-cost-averaging, inverse/enhanced market, and/or (in limited circumstances) concentrated portfolio strategies in the construction and management of client portfolios.

#### *Modern Portfolio Theory (MPT) & Fama/French*

LCM may follow the investment principles of Modern Portfolio Theory and the Fama/French Three-Factor Model to construct portfolios. MPT has the basic concept of using diversification in an effort to help minimize the risk and optimize the potential return of a portfolio, and the goal of Fama/French is to implement the latest academic research into clients' portfolios. LCM may use the Fama/French Three-Factor Model and mean-variance analysis, among other methods, when analyzing stocks and mutual funds to set the parameters of the asset classes.

#### *Long-term Holding*

LCM's strategy consists of purchasing, holding, and rebalancing a diversified portfolio of securities. LCM typically intends to hold these investments for the long term except when sales are necessary to rebalance the portfolio or to fund replacement acquisitions. When selecting publicly traded equities, LCM may focus on the potential for income and/or growth, depending on the client's investment objectives.

LCM does not attempt to time short-term market swings. Short term buying and selling of securities is typically limited to those cases where a purchase has resulted in an unanticipated gain or loss in which we believe that a subsequent sale is in the best interest of the client.

#### *Dollar-Cost-Averaging*

Dollar cost averaging involves investing money in multiple installments over several months, to take advantage of price fluctuations in the attempt to get a lower average cost per share.

#### *Inverse/Enhanced Market*

LCM may also use leveraged long and short mutual funds and/or exchange traded funds that are designed to perform in either an:

1. inverse relationship to certain market indices (at a rate of one or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; or
2. enhanced relationship to certain market indices (at a rate of one or more times the actual result of the corresponding index) as an investment strategy and/or in an effort to increase gains in an advancing market.

#### *Concentrated Portfolios*

LCM may manage certain client accounts by investing in a very limited number of securities due to inherent limitations in providing adequate diversification to very small accounts. In these instances, clients should consider the fact that the risk of a very concentrated portfolio with limited diversification

increases the possibility of substantial losses and depreciation of the portfolio in the event of an exogenous event, the concentrated stock or sector does not perform as expected, and/ or deteriorating economic or market circumstances domestically and/or internationally.

### *Additional Strategies*

While LCM does not specifically use the investment strategies listed below, LCM may recommend mutual funds or third-party investment advisers/use sub-advisers who use these strategies in their management of the funds or accounts. These may include but are not limited to:

- Tactical asset allocation
- Cash as a strategic asset
- Short-term trading
- Short-selling
- Trend methodology
- Defensive strategies
- Hedging
- Market timing
- Leverage

Clients interested in learning more about any of the above strategies should contact us for more information and/or refer to the prospectus of any mutual fund, the disclosure brochure of the third-party adviser/sub-adviser. We may also consider additional strategies by specific client request.

### *Third-Party Advisers*

LCM may recommend other investment advisers based on the client's investment objectives and financial situation, and the other investment adviser's management style. All third-party investment advisers that LCM refers clients to will be properly licensed or registered as investment advisers. Depending on our agreement with the third-party manager, LCM may receive a percentage of the management fees they charge to the clients we refer. Alternatively, LCM may debit our advisory fees separately from the third-party manager, using a different schedule than the one described in **Item 5 – Fees and Compensation**, above, for assets managed by outside managers. Regardless of the manner of advisory fee billing, LCM will treat each client in a fair and equitable manner.

## **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 held as underlying assets of mutual funds 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 equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions. 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.

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.

### American Depositary Receipts (ADRs)

An ADR is a security that trades on United States exchanges but represents a specified number of shares in a foreign corporation. Investors buy and sell ADRs on American markets just like regular stocks. Some banks and brokerage firms issue/sponsor ADRs. ADRs are subject to additional risks of investing in foreign securities, including, but not limited to, less complete financial information available about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange-rate fluctuations affect the U.S. dollar-value of foreign holdings.

### 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 affect adversely 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.

### *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.

#### **Liquidity Risk**

The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Municipal bonds may be less liquid than other bonds.

### Credit Risk

Credit risk includes the risk that a borrower will be unable to make interest or principal payments when they are due and therefore default. To reduce investor concern, insurance policies that guarantee repayment in the event of default back many municipal bonds.

### AMT

LCM invests in a variety of fixed income securities for clients. For those accounts seeking preservation of capital and current income exempt from taxation, where possible, we do not invest in municipal bonds subject to the Alternative Minimum Tax ("AMT").

### General Obligation vs. Revenue Bonds

Typically, investors consider General Obligation bonds to be safer than Revenue bonds since the full faith and credit of the issuer backs the interest and principal payments. With revenue bonds, the interest and principal are dependent upon the revenues paid by users of the facility or service. Frequently the issuers of revenue bonds are either private sector corporations (e.g. hospitals) or entities that exist, often in local monopoly form, to provide a public service (e.g. power utilities or public transportation authorities). Consequently, the thought is that the consumer spending that provides the funding or income stream for revenue bond issuers may be more vulnerable to changes in consumer tastes or a general economic downturn compared to a state or city's ability to raise taxes to pay for its General Obligation commitments.

### Municipal Bonds of a Particular State

Municipal bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Securities issued by California municipalities are more susceptible to factors adversely affecting issuers of California securities. For example, in the past, California voters have passed amendments to the state's constitution and other measures that limit the taxing and spending authority of California governmental entities, and future voter initiatives may adversely affect California municipal bonds.

### 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.

The benefits of investing through mutual funds include:

### Professionally Managed

Mutual funds are professionally managed by investment adviser 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:

### Fund Costs

Investors must pay annual fees, and other fund-related expenses regardless of how the fund performs.

### 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 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.

### *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.

### *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 may have 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.

### *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 stocks. 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.

### 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 Inflation Protected securities (TIPS), 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.

On September 7, 2008, Freddie Mac and Fannie Mae were placed into conservatorship by their new regulator, the Federal Housing Finance Agency. Simultaneously, the U.S. Treasury made a commitment of indefinite duration to maintain the positive net worth of both firms.

### Cash and Cash Equivalents

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.

### 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 convertible bonds, 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.

### Options and Covered Calls

Options may involve certain costs and risk such as liquidity, interest rate, market, credit, and the risk that a position could not be closed when most favorable. The sale of covered call options is intended to produce additional income for the client's account or to limit downside risk. However, selling covered call options may limit upside gains in some circumstances.

### Warrants

Warrants may be issued together with bonds or preferred stocks. Warrants generally entitle the holder to buy a proportionate amount of common stock at a specified price, usually higher than the current market price. Warrants may carry an expiration date or exist in perpetuity.

### Closed-end Fund

Closed-end funds do not continually offer their shares for sale. Rather, they sell a fixed number of shares at an initial offering, after which the shares typically trade on a secondary market, such as the New York Stock Exchange or the NASDAQ Stock Market. Risk factors pertaining to closed-end funds are similar to those of mutual funds and vary from fund to fund. Additionally, closed-end funds are subject to the following:

#### Valuation Risk

Common shares may trade above (a premium) or below (a discount) the net asset value (NAV) of the trust/fund's portfolio. At times, discounts could widen or premiums could shrink, and could either dilute positive performance or compound negative performance. There is no assurance that discounted funds will appreciate to their NAV.

#### Fluctuating Dividends in Actively Managed Portfolios

The composition of the trust/fund's portfolio could change, which, all else being equal, could cause a reduction in dividends paid to common shares. Certain closed-end funds invest in common stocks. There is no guarantee of dividends from these common stocks. Fluctuations in dividend levels over time, up and down, are to be expected.

### Treasury Inflation Protected Securities (TIPS)

Treasury Inflation Protected Securities (TIPS) are inflation-indexed securities structured to remove inflation risk. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index. When a TIPS matures, the investor receives the adjusted principal or original principal, whichever is greater. TIPS pay interest twice a year, at a fixed rate. The rate is applied

to the adjusted principal; so, like the principal, interest payments rise with inflation and fall with deflation.

### *Inflation-indexed Bonds and Interest Rate-indexed Bonds*

LCM may invest for client accounts in inflation-indexed bonds issued by governments, their agencies or instrumentalities and corporations. The principal amount of an inflation-indexed bond adjusts to changes in the level of the consumer price index. In the case of U.S. Treasury inflation-indexed bonds, the U.S. Government guarantees the repayment of the original bond principal upon maturity (as adjusted for inflation). Therefore, the principal amount of such bonds cannot fall below par even during a period of deflation. However, the current market value of these bonds is not guaranteed and will fluctuate, reflecting the rise and fall of yields.

### *Investing Outside the U.S.*

Investing outside the United States may involve additional risks. These risks may include currency controls and fluctuating currency values, and different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices. Additional factors may include changing local, regional, and global economic, political, and social conditions. Further, expropriation, changes in tax policy, greater market volatility, different securities market structures, and higher transaction costs can be contributors. Finally, various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends can also lead to additional risk.

## **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 does not offer any other services or have any affiliates in the financial industry.

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

### **Code of Ethics**

LCM believes that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel. LCM's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

LCM's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. LCM's personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, prohibitions of insider trading, and adherence to applicable state and federal securities laws. Additionally, individuals who formulate

investment advice for clients, or who have access to nonpublic information regarding any clients' purchase or sale of securities are subject to personal trading policies governed by the Code of Ethics (see below).

LCM will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

### Personal Trading Practices

LCM and our personnel may purchase or sell securities for themselves, regardless of whether the transaction would be appropriate for a client's account. LCM and our personnel may purchase or sell securities for themselves that we also utilize for clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our own benefit, favor our personal trades over client transactions when allocating trades, or to use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

Our policies to address these conflicts include the following:

1. The client receives the opportunity to act on investment decisions/recommendations prior to and in preference to accounts of LCM and our personnel.
2. LCM prohibits trading in a manner that takes personal advantage of price movements caused by client transactions.
3. If we wish to purchase or sell the same security as we recommend or take action to purchase or sell for a client, we will not do so until the custodian fills client orders. (except when the transaction meets our **de minimis policy** described below or when we are aggregating personal and proprietary trades with client trades as disclosed under **Limited Aggregation with Client Orders** below) As a result of this policy, it is possible that clients may receive a better or worse price than LCM or any employee for the same security on the same day as a client or one or more days before or after the client's transaction.
4. We require personnel to pre-screen personal trades in securities also owned by or currently considered for our clients. Pre-screening is a distribution notice to all Portfolio Managers of the intention to personally trade any security that is either held by clients or that is currently on our research list. However, we do not require pre-screening for:
  - a. Transactions that meet our **de minimis policy** described below;
  - b. Transactions effected pursuant to an automatic investment plan;
  - c. Securities held in accounts over which the LCM's personnel has no direct or indirect influence or control;
  - d. Transactions and holdings in direct obligations of the Government of the United States;



- e. Money market instruments-bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments;
  - f. Transactions and holdings in shares of mutual funds, since LCM has no material relationship with an investment company; and
  - g. Transactions in units of a unit investment trust if the unit investment trust is invested exclusively in unaffiliated mutual funds.
5. LCM requires our personnel to report personal securities transactions on a quarterly basis.
6. Under certain limited circumstances, we make exceptions to the policies stated above. LCM will maintain records of these trades, including the reasons for any exceptions.

### *De minimis Policy*

Securities transactions by LCM and our personnel are generally subject to a pre-screening policy that seeks to make personal trading consistent with our fiduciary duty to clients. However, LCM and our personnel are not required to pre-screen certain de minimis transactions that we believe would not adversely affect client interests or the securities markets when conducting small transactions in largely capitalized/frequently traded securities. LCM and our personnel are not required to pre-screen the following types of transactions:

#### Equity Securities

The transaction is under \$10,000, the security has a market capitalization of over \$2 billion or average daily trading volume of over two million shares, and the security trades on the NYSE or other domestic exchange/financial market, including NASDAQ (excluding all options).

#### Exchange Traded Funds

The transaction is under \$10,000 and the security has an average daily trading volume of over two million shares and the security trades on the NYSE/AMEX or other domestic exchange/financial market, including NASDAQ.

#### Debt Securities

The bond purchase or sale is less than \$50,000 in principal amount per issuer.

#### Ban on Short-Term Trading Profits

All personal and proprietary transactions in securities also owned by clients that fall under the de minimis exemption above are subject to a 30-day ban on short-term trading profits, except when selling at a loss. We may make exceptions to the 30-day ban when the trade would not disadvantage any client.

### Limited Aggregation with Client Orders

For particular trading strategies or on other rare occasions, LCM may aggregate trades in like securities among client accounts as well as with accounts of LCM and our personnel. Trading on an aggregated basis may allow us to participate in volume discounts generally attributable to larger fixed income orders, facilitate best execution, or negotiate more favorable commission rates. This presents a

potential conflict of interest, as we may have an incentive to allocate more favorable executions to our own accounts or to the accounts of our personnel. In these instances, we will create a pre-allocation statement prior to entering the order. If we do not receive the entire amount requested, we will exclude all personal positions from the final allocation in favor of client orders.

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

The following items represent situations where a conflict of interest may exist between the client and LCM and our personnel.

### *Cross Transactions*

At times, a client may need to sell a security that we think is a good fit for another client's account. In this case, we may internally cross the security from the account of the selling client to the buying client's account. We will only do this when the proposed transaction is in the best interests of both clients. We do not "dump" a security into a client's portfolio just because another client needs to sell, nor do we decide to sell a security from one client's account just because another client needs a similar security. Usually, this situation comes up with fixed income securities where we can get a better deal for both clients by crossing the security instead of going into the open market to complete separate transactions.

The price for a cross transaction will be determined by an independent broker-dealer, and is usually the mid-point between the best bid and offer prices available for the size of the transaction. We will also take into account any additional fees charged to cross the security to ensure that the transaction is still appropriate for both clients. LCM does not act as broker for any cross transactions effected for clients, and will never receive any commissions or other compensation for these trades (other than our normal advisory fees for managing the accounts). We will provide details pertaining to all cross trades to participating clients prior to or promptly following each crossed transaction.

## **ITEM 12 - BROKERAGE PRACTICES**

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

LCM requires clients to open one or more custodian accounts in their own name at a custodian of the client's choice. For clients in need of brokerage or custodial services, we may recommend the use of Schwab Advisor Services™, a division of Charles Schwab & Co., Inc. ("Schwab"), Fidelity Institutional Wealth Services, a division of Fidelity Brokerage Services, Inc. ("Fidelity"), and/or TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade"), registered broker-dealer(s), Members SIPC (collectively, "qualified custodian(s)"). Upon client inquiry, we may also recommend other brokerage or custodial services. LCM is independently owned and operated, and unaffiliated with any qualified custodian.

While we recommend the use of certain qualified custodian(s), the client must decide whether to do so and open accounts with the qualified custodian by entering into account agreements directly with them. The client will enter into a separate agreement with the qualified custodian to custody the assets. We require that clients grant us limited power of attorney to execute transactions through the client's

chosen qualified custodian. We do not open accounts for clients, although we may assist them in doing so. Not all advisors request their clients to use a qualified custodian selected by the advisor. Even though clients maintain accounts at the qualified custodian, we can still use other brokers to execute trades for client accounts (see ***Client Brokerage and Custody Costs***, below).

### *How We Select Brokers/Custodians*

We seek to recommend a qualified custodian who will hold client 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:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices
8. Reputation, financial strength, and stability
9. Prior service to LCM and our other clients
10. Availability of other products and services that benefit us, as discussed below (see ***Products and Services Available to Us From Qualified Custodians***, below)

### *Client Brokerage and Custody Costs*

For our clients' accounts maintained by the recommended qualified custodians, they do not charge separately for custody services. However, the qualified custodian receives compensation by charging commissions or other fees on trades that they execute or that settle into clients' accounts. In addition to commissions, the qualified custodian will generally charge 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 a client's qualified custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize trading costs, we have the qualified custodians execute most trades for client accounts. We have determined that having the qualified custodians execute most trades is consistent with our duty to seek "best execution" of client 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 Qualified Custodians*

The qualified custodians we recommend to our clients provide LCM and our clients with access to their institutional brokerage, trading, custody, reporting, and related services, many of which are not typically

available to retail customers. The qualified custodian also makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us.

The following is a more detailed description of the support services available through the qualified custodians we recommend:

#### Services That Benefit Our Clients

The qualified custodians' services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through the qualified custodians include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit our clients and their accounts.

#### Services That May Not Directly Benefit Our Clients

The qualified custodians also make available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include proprietary investment research and third party research. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at the qualified custodian. In addition to investment research, the qualified custodians also make available software and other technology that:

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

#### Services That Generally Benefit Only Us

The qualified custodians also offer other services intended to help us manage and further develop our business enterprise. These services may include:

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

The qualified custodians may provide some of these services themselves or may arrange for third-party vendors to provide the services to us. They may also discount or waive fees for some of these services or pay all or a part of a third party's fees. The qualified custodians may also provide us with other benefits, such as occasional business entertainment of our personnel.

## Our Interest in the Qualified Custodians' Services

The availability of these services benefits us because we do not have to produce or purchase them. These services are not contingent upon us committing any specific amount of business to the qualified custodian(s) in trading commissions. We believe that our selection of qualified custodians as custodians and brokers is in the best interests of our clients. LCM primarily supports our selection of the qualified custodians we recommend by the scope, quality, and price of their services (see ***How We Select Brokers/Custodians***, above) and not the services that benefit only us.

## Brokerage for Client Referrals

### *Schwab Advisor Network*

LCM receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through our participation in Schwab Advisor Network® ("the Service"). Schwab designed the Service to help investors find an independent investment advisor. Schwab is a broker-dealer independent of, and unaffiliated with LCM. Schwab does not supervise us and has no responsibility for our management of clients' portfolios or other advice or services we provide. LCM pays Schwab fees to receive client referrals through the Service. Our participation in the Service may raise potential conflicts of interest, as described below.

### Participation Fee

LCM pays Schwab a Participation Fee on all referred clients' accounts custodied at Schwab and a Non-Schwab Custody Fee on all accounts maintained at, or transferred to, another custodian. The Participation Fee we pay is a percentage of the fees the client pays to us, or a percentage of the value of the assets in the client's account subject to a minimum Participation Fee. LCM pays Schwab the Participation Fee as long as the referred client's account remains in custody at Schwab. Schwab bills us the Participation Fee quarterly and Schwab may increase, decrease, or waive the fee from time to time. LCM pays the Participation Fee and not the client. We have agreed not to charge clients referred through the Service fees or costs greater than the fees or costs we normally charge to clients with similar portfolios who were not referred through the Service.

### Non-Schwab Custody Fee

LCM generally pays Schwab a Non-Schwab Custody Fee if Schwab does not maintain custody of a referred client's account, or if we transfer assets in the account away from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees LCM would generally pay in a single year. This means we have an incentive to recommend that referred clients' maintain custody of their accounts at Schwab.

Schwab bases the Participation Fee and Non-Schwab Custody Fee on assets in accounts of our clients referred by Schwab and those referred clients' family members living in the same household. This means that we have incentive to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit our fees directly from their accounts.

### Directed Brokerage

LCM will not allow clients to direct LCM to use a specific broker-dealer to execute transactions. Clients must use the broker-dealer/custodian that they selected to custody their account(s) to execute transactions. However, we can still use other brokers to execute trades for client accounts, and clients may pay a trade away fee in addition to the transaction fee the broker-dealer/custody charges. Not all investment advisers require their clients to trade through specific brokerage firms. By requiring clients to use their broker-dealer/custodian to execute transactions, 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 recommend most of our clients to maintain their accounts with Schwab, Fidelity, and/or TD Ameritrade, 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. By recommending that clients use Schwab, Fidelity, and/or TD Ameritrade, 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.

### **Aggregation and Allocation of Transactions**

LCM may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client investment advisory agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day, and where feasible, with all transaction costs shared on a pro-rata basis based upon each client's participation in the transaction. See **Limited Aggregation with Client Orders** under **Item 11**, above.

### Equity Rotations

When purchasing or selling a particular security across client accounts, LCM may not be able to aggregate transactions for accounts held by different custodial brokers. To ensure that no advisory client will be favored over any other client, LCM employs a trade rotation policy in which aggregated trades are executed sequentially, placing the trade first with one custodial broker and then another. Each successive aggregated transaction in a different security is executed again sequentially, with the order of the custodial brokers being rotated so that a different set of clients is traded first. In the rare event that an aggregated transaction is not completely filled, we will allocate to each client's account in an alternate manner that is fair and equitable to each client involved in the original allocation.

## ITEM 13 - REVIEW OF ACCOUNTS

### Managed Account Reviews

We generally offer account reviews to clients on an annual basis. Depending on client preference, reviews may be conducted by phone, mail, e-mail, or in person. Clients have discretion to review their accounts more frequently based upon individual circumstances or market volatility. Internally, each account is reviewed by two reviewers quarterly. Reviewers monitor security positions in client portfolios and rebalance asset classes according to asset allocation based upon client objectives.

Raymond Robinson, Portfolio Manager, reviews all client accounts quarterly. In addition, the following individuals each review accounts for the clients they manage:

- Marr N. Leisure, President, Chief Compliance Officer, and Chief Investment Officer
- Gideon Bernstein, Portfolio Manager and Director of Research
- John Schaus, Vice President

### Account Reporting

Each client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, LCM provides written reports detailing performance in client accounts on a quarterly basis.

## ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION

### Qualified Custodian Support Products and Services

We receive an economic benefit from the qualified custodians we recommend in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts with the qualified custodian(s). These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of the qualified custodians' products and services to us.

### Client Referral Fees

If an unaffiliated or an affiliated solicitor introduces a client to LCM, we may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. LCM pays the referral fee to the solicitor solely from our standard investment advisory fee.

If an unaffiliated solicitor introduces a client to LCM, that solicitor will disclose the nature of the solicitor relationship with LCM at the time of the solicitation. In addition, the solicitor will provide each prospective client with a copy of this brochure, and a copy of the written disclosure statement from the solicitor to the client disclosing the terms and conditions of the arrangement between LCM and the

solicitor, including the compensation the solicitor will receive from LCM. Any affiliated solicitor of LCM will disclose the nature of the relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this brochure.

## **Outside Compensation**

LCM may refer clients to unaffiliated professionals for specific needs, such as insurance, mortgage brokerage, real estate sales, 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 chose 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 advisers (such as an accountant, attorney, or other investment adviser) to help ensure that the provider understands the client's 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**

LCM has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. Further, with the client's express written authorization, clients may also choose to grant us additional authority to distribute account funds in the client's name to their address on record, or to other named third-parties in limited circumstances. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients' funds and securities. Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of our fee.

Clients should carefully review the account statements they receive from the qualified custodian. When clients receive statements from LCM as well as from the qualified custodian, they should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive a statement from their qualified custodian at least quarterly should also notify us.



## ITEM 16 - INVESTMENT DISCRETION

LCM has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. LCM will not contact clients before placing trades in their account, but clients may receive confirmations directly from the broker for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority within their accounts when they sign the custodian paperwork.

Certain client-imposed conditions may limit our discretionary authority, such as where the client prohibits transactions in specific security types. See also ***Tailored Services and Client Imposed Restrictions*** under ***Item 4***, above.

### *Non-Discretionary Assets*

Upon a client's request, LCM may offer non-discretionary management services for the client's employer-plan(s). In addition, we may provide non-discretionary management to accounts (or to certain assets within discretionary accounts) where the client requests restrictions or limitations on our management. In these instances, we make recommendations to clients on what securities or products to buy or sell, and it is up to the client to approve our recommendations. Once we receive approval from the client to go forward, we will place the trades in the client's account if we have that authority.

## ITEM 17 - VOTING CLIENT SECURITIES

### *Proxy Voting*

With the exception of ERISA-governed accounts, LCM does not accept or have the authority to vote client securities. However, clients may call us if they have questions about a particular solicitation. LCM will not be deemed have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. In cases where LCM is responsible to vote proxies on securities held in a client's account, LCM has adopted policies and procedures in an effort to ensure that all votes are cast in the best interests of our clients and that the proper documentation is maintained relating to how the proxies were voted.

The fundamental guideline we follow in voting proxies is to make every effort to ensure that shares are voted in the best interest of clients/beneficiaries and for the value of the investment. Absent special circumstances, it is our policy to exercise proxy voting discretion according to written pre-determined Proxy Voting Guidelines. Clients cannot direct their vote in a particular solicitation. Our proxy voting guidelines are applicable to the voting of mutual funds and equity securities. Gideon Bernstein and/or Ray Robinson ("Responsible Voting Party") have the responsibility for casting votes on proxies we receive. It is intended that the Proxy Voting Guidelines will be applied with a measure of flexibility. Accordingly, the Responsible Voting Party may vote a proxy contrary to the Proxy Voting Guidelines if it is determined that such action is in the best interests of the clients/beneficiaries.

In cases where sole proxy voting authority rests with us for plans governed by ERISA, we will vote proxies in accordance with the Proxy Voting Guidelines unless outlined otherwise in the plan's governing documents provided to us by the client and subject to the fiduciary responsibility standards of ERISA. LCM may also choose not to vote proxies in certain situations or for certain accounts. For example, where a client has retained the right to vote the proxies or where we receive a proxy for a terminated client account. LCM generally votes all holdings as a block. We will make an effort to reconcile the number of shares voted with number of shares held across client accounts. However, we primarily rely upon the custodian to provide proxy ballots with the appropriate number of shares to be voted.

If the Responsible Voting Party becomes aware of any type of potential or actual conflict of interest relating to a proxy proposal, he will promptly document the conflict and handle it in a number of ways depending on the type and materiality. The method he selects will depend upon the facts and circumstances of each situation and the requirements of applicable laws and will always be handled in the client(s) best interest.

A complete copy of LCM's current Proxy Voting Policies & Procedures is available upon request. Clients may obtain information on how their proxies were voted by contacting us. Clients should include in their request their name and the account and security for which they are making the request.

### *Class Actions*

LCM may assist clients on whether or not to participate as a member of class action lawsuits but will not automatically file claims on the client's behalf. Further, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **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**

**Marr Leisure  
Gideon Bernstein, CFA  
Raymond Robinson, CFA  
John Schaus  
Patrick Maxwell**

**Leisure Capital Management, Inc.**

650 Town Center Dr., Suite  
Costa Mesa, CA, 92626-1989  
714-384-4050

**June 25, 2014**

This brochure supplement provides information about Marr Leisure, Gideon Bernstein, Raymond Robinson, John Schaus, and Patrick Maxwell that supplements the Leisure Capital Management, Inc. brochure. You should have already received a copy of that brochure. Please contact Kathleen Byer if you did not receive our brochure or if you have any questions about the contents of this supplement.

Additional information about Marr Leisure, Gideon Bernstein, Raymond Robinson, and John Schaus is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Marr Leisure**

### **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Marr Leisure**, President, Chief Compliance Officer, and Chief Investment Officer, b. 1954

*Education:*

1980 MBA, Finance, University of Southern California, Los Angeles, CA

1976 BA, Political Science, University of Southern California, Los Angeles, CA

1972 - 1974 Attended Colorado College, Colorado Springs, CO

*Business Background:*

2002 - Present, President, Chief Investment Officer, Leisure Capital Management, Inc., Costa Mesa, CA

1993 - 2002 Officer, The Keller Group Investment Management, Inc., Irvine, CA

### **ITEM 3 - DISCIPLINARY INFORMATION**

Marr Leisure has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Marr Leisure's only business is providing investment advice through LCM.

### **ITEM 5 - ADDITIONAL COMPENSATION**

Marr Leisure's only compensation comes from his regular salary and ownership of LCM.

### **ITEM 6 - SUPERVISION**

Marr Leisure is the President, Chief Investment Officer of LCM and supervises all employees.

# Gideon Bernstein

## ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**Gideon Bernstein**, Portfolio Manager, Director of Research, Secretary, Board of Directors, b. 1970

### *Education:*

1992 BA, Psychology, University of California, Santa Barbara, CA

1996, Chartered Financial Analyst

### *Business Background:*

2011 - Present, Secretary, Board of Directors, Leisure Capital Management, Inc., Costa Mesa, CA

2002 - Present, Portfolio Manager, Director of Research, Leisure Capital Management, Inc., Costa Mesa, CA

2000 - 2002 Senior Portfolio Manager, The Keller Group, Inc., Irvine, CA

1996 - 2000 Portfolio Manager, Concord Investment Counsel, Inc., Irvine, CA

### Professional Designations

Gideon Bernstein holds the following professional designation:

### *Chartered Financial Analyst*

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### High Ethical Standards

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

### Global Recognition

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment. Additionally, regulatory

bodies in 22 countries and territories recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

#### Comprehensive and Current Knowledge

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

### **ITEM 3 - DISCIPLINARY INFORMATION**

Gideon Bernstein has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Gideon Bernstein's only business is providing investment advice through LCM.

### **ITEM 5 - ADDITIONAL COMPENSATION**

Gideon Bernstein's only compensation comes from his regular salary of LCM.

### **ITEM 6 - SUPERVISION**

Marr Leisure, President, Chief Compliance Officer, and Chief Investment Officer, is responsible for supervising Gideon Bernstein's activities. Marr Leisure monitors the advice provided by Gideon Bernstein for consistency with client objectives and LCM's policies. Marr Leisure can be reached by calling 714-384-4050.

## Raymond Robinson

### ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**Raymond Robinson**, Portfolio Manager, Treasurer, Board of Directors, b. 1968

#### *Education:*

1993 BS, Finance, California State University, Long Beach, CA

2006, Chartered Financial Analyst

#### *Business Background:*

2011 - Present, Treasurer, Board of Directors, Leisure Capital Management, Inc., Costa Mesa, CA

2002 - Present, Portfolio Manager, Leisure Capital Management, Inc., Costa Mesa, CA

1999 - 2002 Associate Portfolio Manager, The Keller Group, Inc., Irvine, CA

1994 - 1999 Analyst, Operations Manager, Concord Investment Counsel, Inc., Irvine, CA

#### Professional Designations

Raymond Robinson holds the following professional designation:

#### *Chartered Financial Analyst*

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals. There are currently more than 90,000 CFA charterholders working in 134 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

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- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

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requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

#### **Comprehensive and Current Knowledge**

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

### **ITEM 3 - DISCIPLINARY INFORMATION**

Raymond Robinson has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Raymond Robinson's only business is providing investment advice through LCM.

### **ITEM 5 - ADDITIONAL COMPENSATION**

Raymond Robinson's only compensation comes from his regular salary at LCM.

### **ITEM 6 - SUPERVISION**

Marr Leisure, President, Chief Compliance Officer, and Chief Investment Officer, is responsible for supervising Raymond Robinson's activities. Marr Leisure monitors the advice provided by Raymond Robinson for consistency with client objectives and LCM's policies. Marr Leisure can be reached by calling 714-384-4050.



## **John Schaus**

### **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**John Schaus**, Vice President, b. 1957

*Education:*

1979, BS Accounting, Canisius College, Buffalo, NY

1982, J.D., John Lord O'Brien School of Law, State University of New York at Buffalo

1986, LLM Taxation, New York University School of Law, New York, NY

*Business Background:*

2011 - Present, Board of Directors, Leisure Capital Management, Inc., Costa Mesa, CA

2010 - Present, Vice President, Leisure Capital Management, Inc., Costa Mesa, CA

2001 - 2009 Unemployed, Newport Coast, CA

1986 - 2001 Senior VP, Director - Global Debt Origination, Dresdner Bank AG, New York, NY

### **ITEM 3 - DISCIPLINARY INFORMATION**

John Schaus has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

John Schaus's only business is providing investment advice through LCM.

### **ITEM 5 - ADDITIONAL COMPENSATION**

John Schaus receives compensation for bringing client relationships to the firm.

### **ITEM 6 - SUPERVISION**

Marr Leisure, President, Chief Compliance Officer, and Chief Investment Officer, is responsible for supervising John Schaus's activities. Marr Leisure monitors the advice provided by John Schaus for consistency with client objectives and Leisure Capital Management, Inc.'s policies. Marr Leisure can be reached by calling 714-384-4050.

## **Patrick Maxwell**

### **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

**Patrick Maxwell**, Investments Analyst, b. 1985

*Education:*

2007 BS, Business Economics with emphasis in Accounting, University of California, Santa Barbara, CA

*Business Background:*

2007-Present, Investments Analyst, Leisure Capital Management, Inc., Costa Mesa, CA

2006-2007, Intern, Leisure Capital Management, Inc., Costa Mesa, CA

2003-2007, Student, University of California, Santa Barbara

### **ITEM 3 - DISCIPLINARY INFORMATION**

Patrick Maxwell has no disciplinary history to disclose.

### **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Patrick Maxwell's only business is providing investment advice through LCM.

### **ITEM 5 - ADDITIONAL COMPENSATION**

Patrick Maxwell's only compensation comes from his regular salary at LCM.

### **ITEM 6 - SUPERVISION**

Patrick Maxwell does not currently provide investment advice or make recommendations to clients. Marr Leisure, President, Chief Compliance Officer, and Chief Investment Officer, is responsible for supervising Patrick Maxwell's activities. Marr Leisure can be reached by calling 714-384-4050.

## FACTS

### WHAT DOES LEISURE CAPITAL MANAGEMENT, INC. 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 Leisure Capital Management, Inc. chooses to share; and whether you can limit this sharing.

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

#### Questions?

Call (714) 384-4050 or go to <http://www.leisurecapital.com>

## WHO WE ARE

Who is providing this notice?	Leisure Capital Management, Inc.
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## WHAT WE DO

How does Leisure Capital Management, Inc. 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 Leisure Capital Management, Inc. 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

<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"><li>• <i>Leisure Capital Management, Inc. has no affiliates</i></li></ul>
<b>Nonaffiliates</b>	<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>Leisure Capital Management, Inc. does not share with nonaffiliates so they can market to you</i></li></ul>
<b>Joint Marketing</b>	<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>Leisure Capital Management, Inc. does not jointly market</i></li></ul>