

Lewis & Mathews Investment Management, Inc.
SEC Document
Brochure
January, 2013

This document is mandated by The United States Securities & Exchange Commission and is labeled by same as the “Brochure.” It is to be restricted in length. Additionally, some of the language below has been suggested by, and is excerpted from, SEC documentation. As to its format: The Brochure is to contain the 19 items listed below in the order shown, and specified as shown. Consequently, some repetition may result from this format. (This is particularly the case with the attached Code of Ethics.) Each of the items must be deemed to be answered adequately, taking into account that this Brochure is a substitute for what was formally SEC ADV part II.

Although this Brochure might have some interesting information in it, it is limited in scope. It is our opinion that a potential client would find a treasure trove of details about the firm if they were to: 1) read our ADV; 2) study our White Paper on Economic Hedging; 3) study our White Paper on Risk; 4) read our last few client newsletters; 5) read our kit of company information; 6) read our Privacy Statement; 7) read our Code of Ethics (now, as directed by the SEC, part of this Brochure); 8) attend our college lectures; 9) read our published articles. Additionally, it is our belief that a potential client would be well served if he or she were to interview multiple potential advisors and to do so as thoroughly as possible, taking as much time as needed in order to be comfortable. It would not be unreasonable to visit with these advisors at least two or three times, spending a minimum of three hours each time. If a qualified prospective client wishes, Lewis & Mathews can provide information that can aid the individual in the quest for a superior investment advisor. We feel that a diligent search using such materials will increase the client’s eventual satisfaction with the decision.

As per the SEC, the following must be stated: “This brochure provides information about the qualifications and business practices of the below corporation. If you have any questions about the contents of this brochure, please use the contact information below. This brochure has not been approved by the Securities & Exchange Commission or any state securities authority.” However, the Brochure may be disapproved, in whole or in part, by said authorities. “Being a registered investment advisory firm is a governmental requirement, and does not imply a certain level of skill or training. Additional information about this corporation also is

available on the Securities & Exchange Commission's website at www.adviserinfo.sec.gov."

The items below are directed by, and presented in the order specified by, the SEC.

Item 1 Contact Information

Lewis & Mathews Investment Management, Inc.
830 Menlo Avenue, Suite 210
Menlo Park, California 94025 USA
Main Phone: 650-329-8800
Toll-Free: 800-828-1820
Fax: 650-325-9244
E-mail is not available except to clients.
Website: lewisandmathews.com

Item 2 Material Changes

There have not been any material changes since our last annual update of Form ADV, filed in January 2012.

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Item 4 Description of Advisory Business

Careful analysis is given to each client's situation (based on dozens of components) after which individual investment structures are crafted. In general, the goal of Lewis & Mathews is to diversify clients' accounts and assets through the practice of complex diversification, and to invest in assets of as high a quality and degree of risk as are commensurate with a reasonably expected reward. Economic Hedging principles are employed throughout. The structuring of these areas is explained in the writings of Lewis & Mathews' principal, Stephen W. Lewis. The principles behind and the intricacies of Economic Hedging are explained in Lewis' White Paper, which is available to all clients and qualified prospective clients. Lewis & Mathews manages over \$280,000,000. Additional information is provided for clients and qualifying prospective clients in Lewis & Mathews' kit of company information. However, much of this information may be found at the company's website: lewisandmathews.com.

Item 5: Fees and Compensation

Lewis & Mathews' revenue is derived from client fees only. The firm is a "Fee Only" firm. Clients are sent an invoice each quarter with a worksheet attached to it. They can accurately see how the fee was calculated since the formula for deriving the fee is shown in detail on this worksheet. Lewis & Mathews also has a separate worksheet where any amount of assets can be plugged in and the precise fee in both dollar amount and as a percentage is shown. Prospective clients are encouraged to call to access this worksheet so that they will have an accurate picture for their individual situation. For the minimum size account Lewis & Mathews is currently accepting (this minimum amount varies, but is currently \$5 million), the annual fee starts at approximately eight-tenths (0.83) of one percent. From this juncture fees are based on a sliding scale that, depending on the assets under management, decreases to approximately six-tenths (0.60) of one percent. Lewis & Mathews fees are not negotiable, but adjustments may be made in certain unusual circumstances. If the firm's minimum is bothersome to a prospective client, they may call for a recommendation to our sister firm or another qualified money management company. Unlike some firms, Lewis & Mathews has never asked a client to leave our management as a result of having raised our initial minimum, and thereby placing them below a new threshold. All clients are treated equally, irrespective of size of assets.

The billing period is quarterly and fees are paid in advance. Either party may terminate the relationship upon 5 days notice to the other. Any fees paid in advance will be prorated, and the unearned amount will be refunded.

Normally, there are no additional fees such as set-up, research, or transfer fees. The minimum hourly fee for special projects, or for individuals not under management is \$210/hr; however, it may be higher depending on different variables. (Court appearances for expert witness testimony and other legal activities are billed at substantially higher rates.) There are no additional fees if a client has multiple accounts nor if a client should desire to use multiple brokerage firms for diversification of the custody function, even though either situation increases the reallocation effort exponentially. There is a termination fee equal to one half of the preceding quarter's fee. If there is no preceding quarter's fee, the termination fee will be one half of what would have been the approximate current quarterly fee.

The overwhelming majority of compensation for all employees is through bonuses based on how well the firm performs for clients. Compensation varies accordingly. If clients do well, so do all employees. If clients do poorly, so do all employees. Additional information may be provided by contacting Lewis & Mathews.

Item 6: Performance Based Fees

Inapplicable: Even though it would be more profitable for the firm, Lewis & Mathews does not charge clients performance based fees.

Item 7: Types of Advisory Clients

Lewis & Mathews' clients are generally individuals. They come from all walks of life. Lewis & Mathews' requirements for accepting new clients are threefold: 1) We must believe that we can make a positive difference in a prospective client's financial life. If we do not believe that we can do a superb job for the prospective client, we will not enter into the relationship. We do not take on clients for business purposes alone; 2) We need to like the prospective client and think well of them. We view ourselves as nice, reasonable, and decent people and we want to have business relationships only with other nice, reasonable, and decent people; 3) The prospective client needs to have manageable assets at and preferably above our minimum requirements.

Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss

Lewis & Mathews uses a broad spectrum of research, analysis, and information. The general investment strategies would normally be considered “conservative,” usually with long-term goals in mind. For each client we build a unique investment structure that has been individualized according to the client’s perceived goals and other circumstances. It would be extremely unusual for one client to have the same profile as another client. Each strategy will also be fine-tuned, and therefore will vary in different economic climates. The strategy will also take into account the current relative value of the different investment choices available, in order to give the portfolio a more likely chance to advance. The client’s bottom line structure (comprised of five sub-structures) will therefore take into account thousands of permutations. We believe there is not a more comprehensive way of making sure that the client has the proper amount, type, and quality of investments suitable for their particular situation.

Usually, at least part of the strategy will involve contrarian thinking and, to some degree, contrarian investing. (When it comes to investing, history has shown that the consensus viewpoint is more often wrong than right.) Additionally, and this is a very major point when examining investment success, the firm has illustrated repeatedly that it rises above the emotions and the fads of the moment.

Although we are very pleased with what we have been able to accomplish for clients in the past, there can be no guarantee, nor implied guarantee that we will have the same results in the future. Additionally, even though we consider ourselves to be risk-adverse, there can be absolutely no guarantee nor implied guarantee that clients won’t suffer losses—the magnitude or timing of which cannot be predicted or estimated. Lewis & Mathews does not partake either in client investment gains or losses.

More information is available to clients and qualifying prospective clients, in our White Papers and the Lewis & Mathews’ kit of company information.

Item 9: Disciplinary Information

Inapplicable: Lewis & Mathews, its principal as well as its employees, have never been involved with any type of disciplinary action from any financial or investment regulatory agency, foreign or domestic, nor any court action, nor any arbitration proceedings. Nor have Lewis & Mathews, its principal as well as employees, ever been involved in a violation of an SRO (Self-regulatory organization), governmental or otherwise, nor any industry group or organization.

**Item 10: Other Financial Industry Activities and
Affiliations of Principal**

The attached Bio describes the background, current activities, and affiliations of Lewis & Mathews' principal, S.W. Lewis.

Item 11: Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading

Lewis & Mathews believes its money management skills to be objective and applied only in a manner that is in the client's best interest. The firm is obligated under law to act in a fiduciary capacity and put clients' interests above its own. The firm does not profit from in-house trading, activity from transactions, product sales, net transactions, underwriting fees, or other self-serving situations or arrangements. The firm does not profit from manufacturing, or partnering in manufacturing its own investments such as limited partnerships, hedge funds, mutual funds, real estate holdings, and the like. The firm does not sell mutual funds, CDs, bonds, stocks, precious metals, ETFs, or any other type of investment or asset. The firm does not sell its research, its proprietary computer software, or its newsletter, the circulation of which is materially restricted. Lewis & Mathews is compensated by clients only, and has no special arrangements, nor receives any kickbacks, nor gets beneficial favors from anyone or any company.

Regarding personal trading: From time to time, Lewis & Mathews and its employees or related persons will buy or sell assets based on conclusions from its own research, and consequently these assets are the same securities, investments, and cash equivalents that its clients will, and/or are buying and selling. In terms of the effect these transactions have on clients, the firm believes it has been, and should continue to be, negligible.

As per the SEC, Lewis & Mathews' Code of Ethics is attached.

Item 12: Brokerage Practices

Lewis & Mathews does not insist that its clients use any particular brokerage firm. Clients are free to choose and employ any brokerage firm they wish to hold (custody) their assets. That said, it is in the client's best interest to choose a firm or firms that will execute transactions smoothly and efficiently, resolve errors quickly, and to do so at reasonable cost. There may be also other factors that may need to be taken into account. Should the client request, Lewis & Mathews will share its extensive experience regarding a broad spectrum of different firms, so that the client may make an informed decision.

Commissions paid to other client firms (custodians):

Lewis & Mathews believes it is in the client's best interest for L&M to execute transactions on behalf of the client in the most practical, securest fashion.

The description below is a result of an SEC edict to describe Internet versus hard-wired phone client transactions.

Obviously, transactions must be implemented at the companies that hold client assets (where the client has directed us to do so). We attempt to not place these transactions over the Internet; therefore, we call the particular brokerage firm over phone landlines and communicate with an actual broker. We believe this action, although much more onerous and time-consuming for us, is more advantageous for our clients. Below are the advantages and disadvantages as we see them:

Disadvantage:

A client may pay more for a transaction. (\$13 vs. \$9 as an example).

Advantages:

A) We avoid the problems of exposing client data to hackers and crackers, were clients' private information transmitted via the Internet. (Most financial firms will tell the client that this type of activity is secure. Perhaps it is. We have spoken with experts in the field who have continued to give us significant doubts.)

B) Speaking to a live broker at the time of the transaction could give us information regarding a company or security that might

have an effect on its price. (This information may well be impossible to learn during Internet trading.)

C) Some transactions might be less expensive. For example, we may be able to negotiate a smaller spread on bond purchases, or in some rare cases, we may be able to persuade a broker to eliminate an equity commission altogether.

We are getting pushback from some brokers to stop calling them and to use the Internet. Therefore, we do not know for how long we will be able to follow our transaction strategy. Our guess is that it is less costly for the brokers to eliminate the voice system.

Point to note: Lewis & Mathews is a fee-only advisory firm, and therefore receives no part of commissions, fees, kickbacks or any other remuneration paid to custodians or brokers.

Item 13 Review of Accounts

Accounts are reviewed on a frequent basis, and there are multiple types of reviews. It has been Lewis & Mathews' general practice to review accounts monthly instead of quarterly. Individual investments researched by the firm are reviewed frequently, mostly day to day. Should an action be necessary, the transaction is placed. Some reviews are much more intensive than others. There are several different types of reviews. A review may be performed: 1) for reconciliation purposes; 2) to study the appropriateness of each of the holdings in relation to each other; 3) to adjust the overall posture; 4) for tax ramifications; or 5) because of changes in: a) the economy and/or markets; b) the client's situation; c) the change in value within any or all areas; or d) any extraordinary factors.

Item 14: Client Referrals and Other Compensation

Lewis & Mathews has no prohibition against receiving or paying referral fees. However, over the years virtually no such fees have been paid or received with the following exception: presently, referral fees are paid to our sister firm, Curran & Lewis Investment Management, Inc. In terms of other compensation, as mentioned above, Lewis & Mathews is a "Fee Only" firm, and does not receive commissions or compensation from investments, vendors, or custodians.

Item 15 Custody

Lewis & Mathews does not physically hold, nor have access to, clients' investments or assets. (The sole exception is that if the client has given permission, then an account may be billed for the quarterly fee.) For the most part, said investments are held at large, national, well-known, independent brokerage firms. There is therefore, complete separation between the investment function and the custodial function.

Item 16: Investment Discretion

Lewis & Mathews generally has, as authorized by the client, limited discretionary trading authority on client accounts in order to buy and sell investments that fall within parameters the firm believes to be in the best interest of the client. As a general rule, Lewis & Mathews has not engaged in, and does not intend to engage in, trading strategies it believes will have a higher degree of risk than is necessary; i.e., active trading (“day trading,” or momentum trading), margin buying, short selling, and the like. Lewis & Mathews will, on rare occasions, take a short-term gain or loss, should circumstances warrant it.

Item 17: Voting Client Securities

Lewis & Mathews does not vote proxies resulting from client positions. Clients are free to vote or not vote any and all proxy materials in any manner they choose.

Item 18: Financial Information

Lewis & Mathews does not accept prepayment of fees in advance of six (6) months.

Part 2A Appendix 1: Wrap Fee Program

Inapplicable: Lewis & Mathews does not recommend (or participate in) client investments in Wrap Fee accounts or programs.

Brochure Attachment 1, Item 10

Background

Stephen W. Lewis

Steve Lewis is the president of Lewis & Mathews Investment Management, Inc. The company is a registered personal financial advisory firm in Menlo Park, California. Lewis & Mathews has repeatedly been named as one of Bloomberg's Top Wealth Managers. Prior to founding the firm, Lewis was an Account Executive with Morgan Stanley (Dean Witter) for over twenty years. He was a Vice President and was the first in the company to achieve the Certified Financial Planner designation.

Lewis has appeared on national radio, TV, and has written for both the local press as well as national publications, such as Time Warner's Money Magazine and Dow Jones' Barron's. His personal finance workbook sold over 10,000 copies.

In the late Seventies, he was one of the final award winners in the Value Line Stock Contest in which there were some 89,000 entries.

Lewis has a California State Teaching Credential in Banking and Finance and over the years has been on the faculty of several local colleges. He has taught courses on personal finance, estate and financial planning, and investments. Over the past 40 years, he has taught more than 30,000 students. He has also given seminars and lectures for many San Francisco Bay Area companies, associations, and institutions including the University of California, Canada College, the International Association of Financial Planners, Foothill College (Adjunct Professor), the American Association of Individual Investors, DeAnza College, USF, and Stanford University. He has also given expert witness testimony in legal proceedings.

Lewis approaches the investment spectrum from an academic yet skeptical perspective (and with great passion). He has read over 1,000 investment books, and has read each edition of the Wall Street Journal since age fifteen. He is an expert on Economic Hedging; a methodology and strategy that involves complex and active risk-adverse diversification. He has addressed Economic Hedging in several white papers and professional seminars, and it is the technique that has been responsible for the long-term success of the firm and its clients.

In 1996 Lewis co-founded Curran & Lewis, a money management and advisory firm similar in scope to Lewis & Mathews. He is a Vice President and active partner in C&L.

Lewis is a past officer and has served as a board member of the Santa Clara County International Association of Financial Planners. He served on the National Academy Advisory Board of the International Association of Financial Planners, and is a member of the Palo Alto Financial Planning Forum as well as other professional investment organizations. He has also served on the Advisory Board of TD Ameritrade.

Lewis personally writes many of the firm's computer programs including those for portfolio management, Economic Hedging and reallocation strategies, and "Monte Carlo" analyses.

Lewis has a degree in Psychology from the University of Pittsburgh, where he was a member of the national honor society, Psi Chi, and was one of five undergraduates in the country to receive a research grant from the National Science Foundation.

After college and before joining Morgan Stanley, Lewis served three and a half years as a Captain in the U.S. Air Force. His specialty was Electronic Warfare Countermeasures.

Lewis has been married over forty years, has two daughters, and lives in Los Altos Hills, California.

Brochure Attachment 2, Item 11

Code of Ethics

- 1) Our clients come first. This may seem obvious. This also may seem as if it should not be a big deal. But it is. Many financial firms do not state emphatically, and in writing, that their clients come before their own interests. We do.
- 2) Our clients reign supreme. Our philosophy is that we exist to serve our clients—not the other way around.
- 3) We sell only our advice. Nothing else. Period. We do not profit, as do many financial institutions, banks, trust departments, and brokerage firms, from in-house trading, net transactions, underwriting fees, or other self-serving situations or arrangements.
- 4) We were respecting our clients' privacy long before the Federal Government came out with their privacy regulations. We have always had strict privacy rules; breaking them is cause for termination. We treat our clients' financial situations with the utmost of delicacy.
- 5) Our interests are aligned with our clients' interests. The overwhelming portion of the compensation of every person at the firm is dependent on how well we perform for our clients. As our clients do better, our pay increases. If our clients' portfolios decline, we suffer as well.
- 6) We are beholden to no institution, no investment, no mutual fund company, no management firm, no promoter. We have no special arrangements, we do not receive kickbacks, nor do we get beneficial favors from anyone. Our sole and only source of compensation comes from our clients.
- 7) We do not hold client assets, securities, investments, cash, or the like on our premises or within our control; thus completely isolating the custodial and the advisory functions from each other. Clients have their assets held at any nationally known independent brokerage firm of their choosing. Hence, we have no way of commingling or hypothecating client assets. Not all financial firms can make that statement.
- 8) Our error policy is clear: If we make an administrative mistake (defined as over \$100) in a client's account, we: A) correct it

immediately; B) apologize sincerely; and C) make the client whole. If the mistake goes against the client we make certain that the client is reimbursed for the amount of the error; whereas, the client keeps the profits if the mistake is in his or her favor. Nothing is swept under the rug.

9) We act in our clients' best interests. Unlike some "advisors" we are fiduciaries. We invest for the client in the same manner that we would invest for ourselves in similar circumstances.

10) We have a long history of being forthcoming and frank. We communicate to our clients what we believe is for their benefit and well-being regardless of whether it is in our interest as a firm. We do this even if we know they don't want to hear it, and even if we think it will result in the client leaving us. This is more important than the public appreciates and gives real meaning to "Client First."

11) We do not profit from the activity in a client's account. At some investment houses the more the action, the more the so-called advisors are paid. (Incidentally, it is usually the case that the higher the activity the worse the investment results.) We, on the other hand, do not receive any portion of a client's commissions. We are "Fee Only." Clients appreciate that we are not "fee based."

12) We are extremely devoted. When we accept a new client (although we are very selective about whom we will accept), we see ourselves managing their investments for as long as they wish. As an example, we do not ask clients to leave if we have subsequently raised our minimum asset requirements.

13) We respect our clients as individuals. We do not put clients into "templates," nor do we place clients into categories using a handful of model portfolios. While it takes much more effort, each of our client's profiles, structures, and investments reflect their individuality. Again, this seems like the obvious way to manage money, but most firms, despite lip service, will not fully implement such a strategy.

14) Our employees are required, with regularity, to submit their relevant personal account statements for review to the individual in our firm whom the SEC calls the Chief Compliance Officer (CCO).

15) Our employees are required to receive prior approval before investing in IPOs or limited offerings, and it is mandatory they report any violations of L&M's Code of Ethics to the CCO.

16) We do not manufacture our own investments, such as limited partnerships, hedge funds, mutual funds, real estate holdings, and the like; thus we do not profit from the higher fees these assets bring to investment firms. We have no conflicts of interest regarding the assets that we select for our clients. We choose investments based on what we believe is best for them.

17) There are other ethical issues that we have incorporated into our SEC Compliance Manual, such as our trading policy, gift acceptance policy, employee investment policy, and confidentiality policy. We are proud of these policies, and believe them to be among the most stringent in the industry. All clients are welcome to read our complete compliance manual.

18) We have the usual assortment of screen savers on our computers. The one that we favor the most states:

Lewis & Mathews — Where our clients come first and where investment excellence is the minimum standard.

This may seem trite, but we strongly believe that clients are part of our firm's family, and we believe in treating them the way we would want a similar firm to treat us.

**ADV Part 2B: Brochure Supplement
Lewis & Mathew Investment Management, Inc.
January, 2011**

Additional Information regarding principal, Stephen W. Lewis:

Item 1: Contact information

Contact information is shown in Brochure Item 1.

Item 2: Educational Background and Business Experience

Information is shown in Attachment-1 Bio.

Business Experience

Information is shown in Attachment-1 Bio.

Professional Affiliations, etc.

Information is shown in Attachment-1 Bio.

Item 3 Disciplinary Information

Not relevant.

S. W. Lewis has never been subjected to any disciplinary action of any sort.

Item 4 Other Business Activities

Information is shown in Attachment-1 Bio.

Item 5 Additional Compensation

S. W. Lewis, may receive compensation from activities shown in Attachment-1 Bio.

Item 6 Supervision

S. W. Lewis had been deemed to be the CCO of Lewis & Mathews.

Item 7 Requirements for State-Registered Advisers

Not relevant.