



**Cozad Asset Management, Inc.**  
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***Part 2 of Form ADV***  
***BROCHURE***

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This brochure provides information about the qualifications and business practices of Cozad Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 217.356.8363. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Cozad Asset Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply or denote an increased level of skill or training.

The following items are material changes from our prior Part 2 of Form ADV Brochure dated February, 2020:

- 1) As disclosed on page 2, Fees and Compensation, additional disclosures have been added to better describe Cozad Asset Management, Inc.'s practices for utilizing only the lowest cost mutual fund share classes in accordance with the terms of a Settlement Order the firm entered into with the Securities and Exchange Commission dated April 17, 2020.
- 2) The Settlement Order the firm entered into with the Securities and Exchange Commission is described on pages 5 - 6, Disciplinary Information.

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## **1. Advisory Business**

Cozad Asset Management, Inc. (Cozad) was founded in 1972, and registered with the Securities and Exchange Commission as an investment adviser in 1982. Our investment philosophy is guided by diversification, a disciplined approach to the purchase and sale of securities, and the flexibility to make sure each portfolio is as unique as our clients. Our goal is to provide the highest quality, personalized services and advice.

As of 12/31/19, the firm is owned by 31 shareholders, with interests ranging from .09% to Mr. George Shapland's 26.07% interest. Fifteen of the firm's employees are also shareholders holding total ownership of 35.45%.

Services offered include:

- Continuous advisory services based on an individual client's goals and objectives. We advise individuals, corporations, partnerships, trusts, limited liability companies and investment companies on investments and offer recommendations on specific investments, the purchase and sale of securities, and the management of client resources. Our investment and security selections are subject to the stated objectives and strategies of each client. Clients may impose restrictions on investing in certain securities.
- The Cozad Wrap Fee Program which provides clients with access to actively managed portfolios comprised of carefully selected mutual funds and/or exchange-traded funds (ETF) with lower minimum investment requirements.
- Financial planning, consisting of a complete analysis and evaluation of a client's investment goals, current financial condition and retirement plans.
- Consultation on life, disability, health, accident and/or long term care insurance needs.

### **Discretionary Authority:**

Our clients may choose to grant us discretionary authority, but it is not required. As of 12/31/19, \$1,365,840,988 (98.22%), of our clients' assets were managed on a discretionary basis, and \$109,763,543 (1.78%), were managed on a non-discretionary basis.

## **2. Fees and Compensation**

Our fees:

- Fees for continuous asset management services are negotiable, and generally range from .10 % to 1.70% annually and will vary with the size, nature and asset mix of the account. Fees are billed on calendar quarters and in arrears, and an invoice will accompany your quarterly report. You have the option of paying the invoice upon receipt, or instructing your account custodian to debit your account to pay the fees. (Fees are generally calculated on the market value of assets managed on the last business day of each calendar quarter. Please refer to our Asset Management Agreement for more details). Fee arrangements for investment companies may differ in the billing cycles and methods of collection.
- The asset-based Wrap Program fees are negotiable but will not exceed 2%, and are assessed on calendar quarters and in arrears. Wrap Program fees are collected by the Program custodian from each account. Please refer to our *Wrap Fee Program Brochure* for further details.



- The fee for the comprehensive financial and estate plan is based upon an estimate of time required and can generally range from \$75 to \$2,500, depending upon the complexity. These fees are generally payable upon delivery of the completed plan.
- A commission may be earned by our employees or representatives in the event you purchase any recommended insurance contract.
- Fees for tax preparation services vary depending on an estimate of the time required and expenses incurred, but generally range from \$100 to \$10,000. Fees are billed in arrears.

*Other fees you may be paying:*

The purchase and sale of securities will normally incur transaction costs including sales charges, commissions and/or markups. Custodians of brokerage accounts, including IRAs and 401(k) plans, will generally charge maintenance and/or services fees. Clients are generally responsible for their own transaction costs and custodian fees. Please note Section 9, “*Brokerage Practices*”, on page 7 for more detail.

*Mutual Fund fees:*

All fees paid to Cozad for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds (“Funds”) to their shareholders as described in each Fund’s prospectus. These fees will generally include a management fee, other Fund expenses, and a possible distribution fee (also known as a 12b-1 fee). If the Fund also imposes sales charges/commissions, these will generally be suppressed or, if for some reason not suppressed, credited back to your account. In no case should Cozad receive any sales charges/commissions, although they may receive marketing fees (also known as 12b-1 fees) associated with Fund transactions. Effective November 1, 2018, Cozad has adopted the policy of crediting 12b-1 fees back to the client account rather than accepting the fees as additional compensation.

A client could invest in a mutual fund directly, without our services. When purchasing directly with a mutual fund company, the client would not receive the services provided by Cozad which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to the client’s financial condition and objectives. In all cases, the client should review the fees charged by funds and the fees charged by Cozad to fully understand the total amount of fees to be paid, and thereby evaluate the advisory services being provided.

In many instances, we make available mutual funds in our advisory programs that offer various classes of shares. Effective May 1, 2019, Cozad commenced the process, where possible and applicable, of converting (on a tax-free basis) each client’s mutual fund holdings to the lowest cost available mutual fund share classes. Furthermore, effective May 1, 2019, Cozad will only utilize the lowest cost available mutual fund share class for a client’s investment advisory account. Note that the availability of a lower-cost share class is fund specific and may not be available for investment due to investment minimums and other fund-specific requirements.

Historically Cozad has covered the ticket or trading charges assessed by the custodian in connection with mutual fund trades in client accounts, but has passed on custodian service charges to clients in connection with such trades. However, effective May 1, 2019, the ticket or trading charge assessed by the custodian in connection with such mutual fund trades, as well as the service charges, will be paid by clients. The entirety of such ticket or trading charges and service charges will be retained by the custodian. No transaction-based compensation will be paid to Cozad, its managers and its representatives acting as registered representatives of M Holdings (collectively, the “Cozad Affiliates”) in connection with mutual fund trades in advisory client accounts.

*Exchange Traded Fund (ETF) Fees:*

ETFs have characteristics of both mutual funds and common stocks. They hold a pool of investments, charge a management fee, and are managed similar to a mutual fund. However, they trade as a common stock in that the price fluctuates during the trading day, they are not required to distribute capital gains annually and they cannot be purchased directly from an ETF company but instead must be purchased through a stock exchange. There may be other differences



that set them apart as distinct securities different from individual stocks or mutual funds so this list of differences is not to be considered complete and exhaustive.

All fees paid to Cozad for investment advisory services are separate and distinct from the fees and expenses charged by ETFs to their shareholders as described in each ETF's prospectus. These fees will generally include a management fee and/or other expenses.

Like common stocks and securities other than mutual funds, an ETF ticket or trading charge will be assessed to the client on a per-trade basis. Historically, the portfolio manager has had the ability to mark up any ETF trading charges, assessing them in an amount up to \$25 per trade, but not in excess of 5% of the total trade amount. In addition, Cozad has passed on the service charges to clients in connection with such trades. However, effective May 1, 2019, portfolio managers will no longer be able to markup ETF trading charges. Instead, clients will pay only the amount charged by the custodian in ETF ticket or trading charges and sales charges. The entirety of such ETF ticket or trading charges and sales charges will be retained by the custodian. No transaction-based compensation will be paid to Cozad Affiliates in connection with ETF trades in advisory client accounts.

*Fees Associated with Stock and Option Trades:*

Like ETFs, a ticker, or trading, charge will be assessed to the client on a per-trade basis when trading individual stocks and options. Historically, the portfolio manager has had the ability to mark up these trading or brokerage charges, assessing them in an amount generally no more than \$25 per trade for stocks of U.S. issuers, but an amount in excess of \$25 per trade involving foreign stocks, options, or trades involving a large number of shares of stock both foreign and domestic (but no more than 5% of the total trade amount in all cases). In addition, Cozad has passed on the service charges to clients in connection with such trades. However, effective May 1, 2019, portfolio managers will no longer be able to markup ticket or trading charges on stock and option trades. Instead, clients will pay only the amount charged by the custodian in the ticket or trading charges and sales charges associated with such transactions. The entirety of such ticket or trading charges and sales charges will be retained by the custodian. No transaction-based compensation will be paid to Cozad Affiliates in connection with stock or option trades in advisory client accounts.

*Other potential compensation to us:*

Some employees of Cozad are also registered representatives of M Holdings Securities, Inc. (M Holdings), a licensed and registered broker-dealer. It is your sole right to direct which broker is to be used to effect securities transactions and you are under no obligation to implement any recommendation made, or to use the brokerage services of M Holdings.

Clients who elect to use M Holdings receive discounted brokerage commissions, although commissions may be higher than available through some other brokerage firms. Effective May 1, 2019, Cozad Affiliates will no longer receive a portion of brokerage commissions, mark-ups, mutual fund sales charges and/or service fees on securities transactions in advisory accounts. While there will be a ticket, or trading charge, along with a service charge reflected on the purchase or sale trade confirmation, the entirety of such charges will be retained by the custodian or M Holdings. In other words, no transaction-based compensation will be paid to Cozad Affiliates in connection with securities transactions in advisory accounts.

Some or all of the insurance and/or securities commissions earned by our representatives and affiliates are relinquished to Cozad under the terms of their employment/affiliation. Such commissions may remain the sole property of Manager or its affiliates.

Cozad previously served as the adviser to an open-end investment company which, as of September 30, 2017, began to be advised by Oberweis Asset Management, Inc. (OAM), an independent advisory firm. Cozad has a revenue sharing arrangement with OAM beginning January 1, 2019 and ending December 31, 2028. Assets of Cozad clients that are invested in the investment company are not taken into consideration for purposes of calculating amounts due under the agreement. Nevertheless, the arrangement presents a conflict of interest because client assets invested with OAM may contribute to the overall success of OAM and thus could benefit Cozad. In order to address this conflict, we have a quarterly screening process for selecting mutual funds and conduct periodic reviews of all accounts to help ensure that



recommendations are suitable and consistent with each client's investment objectives, strategies and restrictions.

As stated in our Compliance and Supervisory Procedure Manual, a portfolio manager's supervisor will monitor trading activities in each account to ensure that securities purchased or sold are consistent with the client's investment objectives. The supervisor also looks for any evidence of excessive trading or conflicts of interest between the manager and the client. If it appears any transactions are inconsistent with a client's stated objectives or are frequent in nature, the matter will be brought to the attention of the Chief Compliance Officer who will investigate the circumstances and may, at his discretion, consult the client.

### **3. Performance-based Fees**

Cozad does not bill based on performance; therefore, no performance-based fees are assessed by Cozad.

### **4. Types of Clients**

Our clients include individuals, trusts, charitable foundations and organizations, municipal retirement plans, corporations, investment companies and retirement plans.

We generally require a minimum account size of \$100,000, but this minimum may be waived under special circumstances.

### **5. Methods of Analysis, Investment Strategies and Risk of Loss**

Our investment philosophy is guided by diversification, a disciplined approach to the purchase and sale of securities, and the flexibility to address each client's goals. We tailor portfolios based upon each client's goals and objectives. We review the client's current holdings, assess risk tolerance and develop an asset allocation strategy if the client is seeking something other than one of our individual portfolio strategies as discussed below.

We believe diversification is essential to reduce risk and volatility. We consider economic sectors, countries, industries and capitalization levels in selecting stocks. Likewise, we suggest laddering maturities and considering issues and geographic regions when selecting bonds for portfolios. Emotions sometimes tend to distort effective decision making; buying at the highs and selling at the lows. Our investment philosophy helps mitigate these forces. Being privately owned and managed, we are not limited to certain securities. However, private placement products and insurance products are limited to those approved by our broker/dealer, M Holdings. Our investment decisions are made entirely in-house. Investing in securities involves risk of loss that clients should be prepared to bear.

#### **Basic Asset Allocation:**

Our approach to basic asset allocation is to set guidelines for the amount of risk for each individual client by determining how much of a portfolio will be invested in the areas of stocks, bonds and cash. The allocation we recommend will be based upon our meetings with each client and a review of their assets and circumstances as we attempt to determine their risk tolerance as an investor. This is key to creating a portfolio that matches the client's needs and long term financial goals. The principal of asset allocation is to spread investments across multiple asset classes to maximize your returns while minimizing your risks.

#### **Large Cap Core Strategy:**

Emphasis is on high quality, large cap global companies available at reasonable price/earnings ratios with a longer term, lower turnover objective. The benchmark is typically the S&P 500. The equity analysis concentrates on price/earnings and price/cash flow ratios, return on equity, earnings growth, price momentum and other financial and market data. We believe the real value of a company rests with its cash flow, not reported earnings, and our analysis focuses on each company's cash generating ability. It is from free cash flow that dividends are paid, debt is reduced and capital projects are funded. Risks include general economic risk, market risk and company risk.



### U.S. Equity Income Strategy:

The strategy utilizes 30 – 60 dividend-paying stocks, selected from a wide range of sectors and industries. The benchmark for this strategy is the S&P Midcap Value Index. A top-down approach focuses on buy and sell decisions based on shifts in the U.S. economy, fundamental financial analysis, and quality of management. Risks of this portfolio style include company risk, market risk and interest rate risk.

### International Equity Income Strategy:

The strategy consists of 50 – 70 dividend-paying stocks from countries across the globe, excluding the United States, and representing a wide range of sectors and industries. Its benchmark is the S&P Global ex-US index. This approach focuses on overweighting countries and regions with relatively strong economies, and also overweighting industries and sectors that we anticipate doing well in the near-term economic environment. Buy and sell decisions are based on changes in world economies and fundamental, company-level research.

There are special risks associated with international investing, including currency fluctuations, political and economic uncertainty, foreign taxation, and different accounting standards. Other risks of this style include company risk, market risk, interest rate risk and governmental/fiscal policy related risk.

### Fixed Income Strategy:

The fixed income strategy primarily seeks current income while weighing the risks associated with bonds and other fixed income investments. We seek to invest in fixed income vehicles with a primary goal of capital preservation; total return is secondary. Typically, we do not seek the highest yields as our allocation to fixed income is predominantly designed for safety of principal. Ideally, the base of most fixed income portfolios is a laddered portfolio of short to intermediate maturities of high quality bonds or CDs. Each account may be tailored to contain a certain element of risk. Based upon the circumstances that prevail in the credit markets, the fixed income strategy is flexible and can adjust to various market conditions.

Risks include: credit risk if the issuer of the debt cannot repay the principal and interest; risk that if interest rates rise, the value of bonds may be less; and risk to a fixed income portfolio may include inflation risk where interest earned may not keep pace with the rate of inflation.

There are inherent risks and price fluctuations associated with investing in a portfolio of stocks, bonds and mutual funds. Your investment principal will fluctuate with the market so your portfolio, when liquidated, may be worth more or less than your original cost, and you should be prepared to assume that risk.

See Section 10, “*Review of Accounts*”, for details of how accounts are reviewed.

## **6. Disciplinary Information**

Cozad agreed to the entry of an Order by the U.S. Securities and Exchange Commission (the “SEC”) that was instituted on April 17, 2020. The Order relates to Cozad’s and certain of its investment advisory representatives’ purchase, recommendation, and holding of certain mutual fund share classes and the disclosure of the conflicts of interest related to the selection of these share classes in investment advisory accounts. The SEC’s Order finds that from January 1, 2014 through October 31, 2018, Cozad purchased, recommended or held for advisory clients mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds that were available to those clients, and did not adequately disclose in its Form ADV or elsewhere the conflicts of interest related to the selection of these share classes.

The SEC’s Order also finds that Cozad failed to adopt and implement written policies and procedures reasonably designed to prevent violations of the Investment Advisers Act of 1940 (Advisers Act) and the rules thereunder in connection with its mutual fund share class selection practices. As part of the settlement terms of the Order, the SEC found that Cozad willfully violated Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, and ordered Cozad to pay disgorgement, prejudgment interest, and a civil penalty, to compensate affected investors, and to complete certain undertakings. Cozad consented to the entry of the Order without admitting or denying the SEC’s findings.



As a result, Cozad has taken the following actions:

- Notified affected investors
- Updated Form ADV disclosures
- Updated company policies and procedures
- Identified clients eligible to convert to a lower-cost share classes

Cozad has already converted all clients into the lowest cost share class available. Effective November 1, 2018, Cozad and its advisors no longer collect 12b-1 fees from mutual funds held in an investment advisory account.

## **7. Other Financial Industry Activities and Affiliations**

- Some of our employees and affiliates are registered representatives of M Holdings. If you instruct us to utilize M Holdings as your broker-dealer, a conflict of interest exists. Please see Section 2, *“Other Potential Compensation to Us”*, on Page 2 for a discussion on the ramifications of this conflict. You are under no obligation to select M Holdings as your broker/dealer.
- We have a minority interest in a savings and loan holding company, National Advisors Trust Holdings, Inc., which has formed a federally chartered trust company, National Advisors Trust Company (“NATC”). The trust company provides an alternative to traditional trust service providers. We sometimes refer clients to NATC for trust services. You are under no obligation to use the trust services of NATC. Because of our affiliation through ownership, we have an incentive to refer you to NATC since an increase in its business will increase the value of our minority interest over time.
- We own Managed Tax Services, LLC, (MTS) which performs tax preparation services. We may refer clients to MTS, but you are under no obligations to use their tax preparation services.
- The company and some of our employees are also licensed insurance agents holding agency or agent appointments with several different insurance companies.
- We may recommend other investment managers as an adviser and may be paid a solicitation fee for such referral. Such solicitation fee is fully disclosed to the client.

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

In compliance with Rule 206(4)-7 of the Investment Advisers Act of 1940, we have adopted and maintain a written Compliance and Supervisory Procedures Manual and attendant Code of Conduct/Ethics, which is designed to prevent violation of the Act and assists in complying with the provisions of the Act. The manual is not construed as all inclusive, but is intended to serve as a guide and presents best practices in conducting and supervising our daily investment advisory business. A copy of our Code of Ethics is available to you upon request.

We and/or our employees and affiliates may buy or sell securities for investment purposes that either are or have been recommended to you. We have an affirmative duty not to overreach or disadvantage any client, including by executing personal trades ahead of pending client transactions in the same security. Some provisions in our Code of Ethics designed to ensure that the interests of clients are foremost include:

- No employee or affiliate may purchase or sell a security for any account in which they have a beneficial interest, if there is a possible conflict of interest.
- No employee or affiliate may purchase or sell any security that is part of an Initial Public Offering (IPO), or in a



private placement vehicle without first obtaining prior clearance from the CCO.

- No employee or affiliate may purchase or sell a security without first obtaining prior clearance from the CCO if the employee or affiliate account is not held through our firm. Trades made in accounts not held through our firm require pre-clearance. The CCO may reject any proposed trade that:
  1. Involves a security being purchased or sold on your behalf, or is being considered for purchase or sale;
  2. Is otherwise prohibited under our internal policies;
  3. Breaches our fiduciary duty to you
  4. Is otherwise inconsistent with applicable law
  5. Creates a conflict of interest or an appearance of it
- In order to avoid any potential conflict of interest, an employee or affiliate personal securities transactions in the same security as that purchased/sold for you will be entered only after completion of all reasonably anticipated trading in your account.

## **9. Brokerage Practices**

You as the client have sole discretion on the selection of the securities broker-dealer, broker or agent to be used for the execution of all securities transactions for your account, including transactions in individual stocks and options.

We normally suggest M Holdings as the broker-dealer to execute trades in your advisory account, but you are under no obligation to use them. Clients who elect to use M Holdings receive discounted brokerage commissions, although commissions may be higher than available through some other brokerage firms. If you elect to use M Holdings as your broker, you may stop doing so at any time without penalty.

If you prefer to select a broker-dealer other than M Holdings, please be aware that we may not be able to obtain the most favorable brokerage execution if your desired broker-dealer has higher brokerage commissions.

Effective May 1, 2019, Cozad Affiliates will no longer receive a portion of brokerage commissions, mark-ups, mutual fund sales charges and/or service fees on securities transactions in advisory accounts. While there will be a ticket, or trading charge, along with a service charge reflected on the purchase or sale trade confirmation, the entirety of such charges will be retained by the custodian or M Holdings. In other words, no transaction-based compensation will be paid to Cozad Affiliates in connection with securities transactions in advisory accounts.

Although the majority of our portfolio managers do not bunch, block or aggregate brokerage orders, some of our investment strategies (U.S. Equity Income and International Equity Income) may have their trades aggregated because all specific composite members hold the same approximate percentage of the same securities. The aggregating of the trades result in more equal treatment for each client, as each client receives the same price on a block trade whereas they would not if each trade was placed separately.

## **10. Review of Accounts**

Our portfolio managers and representatives review each account at least quarterly prior to the delivery of our quarterly statements. At least annually, the portfolio manager will do a more comprehensive review to ensure the portfolio design is consistent with your goals and objectives.

Each calendar quarter we will send you a statement detailing the assets we manage for you. The statement includes information on your unrealized gain/losses and asset allocation mix. We can provide additional information and summaries as you may require.



## **11. Client Referrals and Other Compensation**

If you are referred to us by a solicitation agent, we may pay a referral fee to them. These fees are fully disclosed in your Asset Management Agreement and are subject to all state and federal regulations.

## **12. Custody**

We do not act as custodian for any of your funds or securities.

In addition to the quarterly reports we provide, you will also receive a statement directly from the broker or other qualified custodian of your account assets. You should carefully review both statements and compare the asset listings for your own protection.

## **13. Investment Discretion**

You may choose to grant us discretionary authority to initiate transactions for your account by so noting in your Asset Management Agreement. You will still receive copies of all trade confirmations directly from your broker. You have the right to rescind the discretionary authority at any time. If you do not choose to grant discretionary authority, we will obtain specific authorization from you to initiate any transactions. You may change your selection at any time by giving us written instructions. In either case, you are under no obligation to implement any recommendation we may make.

## **14. Voting Client Securities**

As stated in our Proxy Voting Disclosure, we do not generally accept any authorization or responsibility, implied or explicit, to vote proxies on your behalf. We believe that you should keep the duty for voting your proxies. We will send you a copy of our Proxy Voting Disclosure each year. You will receive a company's proxy or other solicitation directly from your broker/custodian or transfer agent. We do not offer advice or take any action with respect to these proxies. In certain, very limited, instances we may accept a client request to vote their proxies, in which case we will provide you with our full policy and procedures for Proxy Voting. You may request a summary report on the contents of your proxy voting file at any time.

## **15. Financial Information**

We do not require prepayment of any fees, nor do we have custody of your funds, and therefore have no financial disclosures to be included.

