

## **Item 1 – Cover Page**

# **LCM Private Asset Management Program**

**LCM Capital Management Inc.**

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**April 30, 2020**

## **Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure**

This wrap fee program brochure provides information about the qualifications and business practices of LCM Capital Management Inc. ("LCM"). If you have any questions about the contents of this brochure, please contact John Nowicki at 312 705-3013 or at [jnowicki@lcmcapital.com](mailto:jnowicki@lcmcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about LCM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for LCM is 111074.

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

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisors to amend their brochure when information becomes materially inaccurate. If there are any material changes to an advisor's disclosure brochure, the advisor is required to notify you and provide you with a description of the material changes.

The material changes in this brochure since the last annual updating amendment of LCM Capital Management Inc. on May 1, 2019 are described below.

On April 30, 2020, we submitted our annual updating amendment for fiscal year 2019 and amended Item 4 of our Form ADV Part 2A Brochure to reflect discretionary assets under management of \$ 207,417,596 and non-discretionary assets under management of \$ 19,244,160.

The other updates made in this Brochure are limited to technical re-writes and/or updates to certain sections. We have made no material changes in the products and services that we offer, our investment advice and management processes, or the way that we manage our business.

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## Item 4 Services, Fees, and Compensation

LCM Capital Management Inc. ("LCM") is a registered investment advisor based in Chicago, Illinois. We are organized as a corporation under the laws of the State of Illinois. We have been providing investment advisory services since 1998. John Michael Nowicki and Gary Michael Wozny are the principal owners.

As used in this brochure, the words "we", "our" and "us" refer to LCM Capital Management Inc. and the words "you", "your" and "client" refer to you as a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. Our Associated Persons are our firm's officers, employees and all individuals providing investment advice on behalf of our firm.

We offer discretionary portfolio management services through the *LCM Private Asset Management Program*, a wrap fee program ("Program"), as described in this Program brochure to prospective and existing clients. We are the sponsor and portfolio manager for the Program. We manage your wrap fee portfolio based on portfolio strategies that are suited to your investment requirements and goals. Your investment portfolio is designed for you based upon your risk tolerance and investing objectives.

A wrap-fee program is a type of investment program that provides clients with asset management and brokerage services for a single fee. If you participate in our wrap fee program, you will pay our firm a single fee, which includes money management fees, certain transaction costs, and custodial and administrative costs. As noted below, certain other costs and charges will apply. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of services and securities available in the Program.

Prior to becoming a client under the Program, you will be required to enter into a separate written agreement with us that sets forth the terms and conditions of the engagement and describes the scope of the services to be provided, and the fees to be paid.

### Services

LCM, as portfolio manager is responsible for the research, security selection and implementation of transaction orders in your portfolio. We offer discretionary portfolio management services through the Program, which provides for various private client portfolio investment strategies.

These strategies are:

**Asset Allocation -** The portfolio strategy consists of an allocation of equity securities and fixed income securities designed to meet the client's specific risk profile. Risk profiles range from Aggressive (80% Equity / 20% Fixed Income) to Conservative (25% Equity / 75% Fixed Income).

**Custom Managed –** The portfolio strategy is customized for clients who require special care when merging old portfolios into new strategies or otherwise catering to a client's specific situation. The portfolios under Custom Managed can include different allocations of equity and fixed income securities. Risk profiles range from 100% Fixed Income to 100% Equity.

**Core Portfolio** – The equity only portfolio strategy is designed to achieve long term capital appreciation by investing in a portfolio of diversified large cap US domestic leaders. Risk Profile: Aggressive – 100% Equity.

**Global Growth** – The equity only portfolio strategy is designed to achieve long term capital appreciation by investing in a portfolio of diversified large cap global leaders. Risk Profile: Aggressive – 100% Equity.

**Fixed Income** - A customized portfolio tailored to the client's specific needs. This portfolio could emphasize tax free monthly income, periodic lump sums, laddered portfolios, or a combination of fixed income vehicles. Risk Profile: Conservative - 100% Fixed Income.

LCM employs an investment process that is adapted to meet the needs and investment objectives of each client. We begin the investment process by having an in-depth conversation with the client to gain a thorough understanding of the client's investment objectives, risk tolerance, time horizon, and other relevant information.

Each potential client receives an Information Request asking for copies of documents relating to the client's current assets that make up the client's investment portfolios. LCM then performs an analysis in order to provide a proposal to the potential client. LCM also uses the information gathered from the potential client to identify the client's financial risk profile and to provide a comparison between LCM's proposed strategy and the prospective client's actual invested portfolio. An Associated Person of LCM will then discuss the contents of the proposal with the prospective client during a meeting or telephone conference.

We determine an appropriate investment strategy for the client based on mutual understanding. Portfolio holdings may be adapted to take into account specific client circumstances, such as cash flow needs, concentrated positions, existing holdings, taxes, and other considerations. The investment strategy provides a framework for determining the asset allocation that seeks to appropriately balance risk and return over a long-term time horizon. Asset allocation is the relative mix of cash, fixed income, and equity securities suitable for a client's investment portfolio. LCM believes investment risk is lessened when a portfolio is diversified. Diversification of a portfolio helps prevent under or over-exposure to sectors or specific securities. We implement the selected strategy in order to achieve the client's investment objectives. Although strategies can be changed to account, for example, for changed circumstances, we believe adhering to our long term, low-turnover asset allocation approach will generally provide enhanced portfolio returns with reduced volatility.

We use a disciplined investment approach in selecting individual equity and fixed income securities. This approach allows for greater flexibility, greater tax efficiencies, and lower expenses. With limited exceptions, LCM does not utilize mutual funds thereby avoiding inefficiencies and additional layers of fees. Our security selection process seeks to provide long-term growth while remaining within the risk tolerance level of each client. Capital preservation, however, is also an important consideration of our investment philosophy. We review investment choices and implement changes when more attractive and suitable opportunities become available to potentially increase total return.

#### **Client Investment Process**

Our firm will obtain your financial data and assist you in determining the strategy that would be suitable for your investment in the Program based on information obtained from you. We will

review your portfolio quarterly and will rebalance the portfolio in light of changes in market conditions and in your financial circumstances.

We provide discretionary portfolio management services in accordance with your individual investment objectives. If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your portfolio. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. This authorization includes deciding which securities to buy and sell, when to buy and sell, and in what amounts, in accordance with your investment program, without obtaining your prior consent or approval for each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and/or through trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your portfolio) by providing our firm with your restrictions and guidelines in writing.

Any restrictions and guidelines you impose may affect the composition and performance of your portfolio. For these reasons, the performance of your portfolio may not be identical with the average client in our wrap fee program.

Transactions for your Program portfolio will be executed by Charles Schwab & Co., Inc. Advisor Services ("Schwab") and/or Fidelity Brokerage Services LLC ("Fidelity"), securities broker-dealers and members of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation, unless you direct LCM to execute certain trades through another broker-dealer. See "Directed Brokerage Wrap Program" below. Schwab or Fidelity will provide you with services related to custody of securities, trade execution, and trade clearance and settlement. You may not direct LCM to custody accounts other than through Schwab or Fidelity. We will not have custody of client funds or securities, except to the limited extent of having Schwab or Fidelity act as paying agent for our firm by automatically deducting Program Fees from your account(s).

### **Changes in Your Financial Circumstances**

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. Furthermore, unless you indicate to the contrary, we shall assume that there are no restrictions on our services, other than to manage your portfolio in accordance with your designated investment objectives. It is your responsibility to promptly notify us if there are changes in your financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

### **The Program Fee**

We charge an annual "wrap-fee" for participation in the Program depending upon the market value of your assets under our management. You are not charged separate fees for the different components of the services provided by the Program. Our firm pays all transaction expenses of trades placed on your behalf. Our Program fee includes the portfolio management fee and Schwab or Fidelity's transaction or execution costs. The assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion. In special circumstances, and in our sole discretion, we may negotiate a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, dollar amount of assets to be managed, related accounts, portfolio composition, pre-existing client relationship, account retention, etc.). As noted below, certain other costs and fees will apply.

**Fees are negotiable at the sole discretion of LCM.** Our fee for portfolio management services through the *LCM Private Asset Management Program* is based on a percentage of your assets we manage and is set forth in the following fee schedule:

Equity / Asset Allocation Strategy Portfolios*	
<u>Assets Under Management</u>	<u>Maximum Annual Fee</u>
\$25,000 to \$99,999	2.50%
\$100,000 to \$249,999	2.25%
\$250,000 to \$499,999	2.00%
\$500,000 to \$999,999	1.75%
\$1,000,000 and above	1.50%

Fixed Income Strategy Portfolios*	
<u>Assets Under Management</u>	<u>Maximum Annual Fee</u>
\$100,000 to \$499,999	1.50%
\$500,000 to \$999,999	1.00%
\$1,000,000 and above	0.75%

\*Equity / Asset Allocation Strategy Portfolios are subject to a minimum size of \$25,000 and Fixed Income Strategy Portfolios are subject to a minimum size of \$100,000. **Portfolio minimums are negotiable at the sole discretion of LCM.**

At our discretion, we may combine the account values of family members to meet the Portfolio minimums and/or lower fee brackets. Older client relationships may be subject to a different fee schedule and Portfolio minimum. Advisory fees are based upon the initial investment contribution total of all the accounts represented in a portfolio. Once the annual fee percentage has been established, the fee rate remains in effect for the life of the portfolio. In the event of a significant deposit or withdrawal from the portfolio, our fee can be adjusted accordingly to reflect a higher or lower fee bracket for the combined total of all accounts in the billed portfolio.

Our annual portfolio management fee for portfolio management services is billed and payable monthly in arrears based on the number of days in the month. For fee purposes, the account valuation will be based upon the last day of the preceding month.

Except for certain accounts which will be invoiced, we will deduct our advisory fee through the qualified custodian holding your funds and securities. We will deduct our fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements, including management fees, from your account. We encourage you to review all statements for accuracy. If you find any inconsistent information, please call our main office number located on the cover page of this brochure. We will also receive a duplicate copy of your account statements.

In determining whether to establish an *LCM Private Asset Management Program* portfolio, a client should be aware that the overall cost to the client of the Program may be higher or lower than the client might incur by purchasing separately the types of securities available in the Program. In

order to compare the cost of the Program with unbundled services, the client should consider the turnover rate in our investment strategies, trading activity in the account and standard advisory fees and brokerage commissions that would be charged at Schwab or Fidelity or at other broker-dealers and investment advisors.

Depending upon the Program's annual percentage fee charged by our firm (see fee schedule above), the amount of portfolio activity in your account, and the value of custodial and other services provided, the wrap-fee may or may not exceed the aggregate cost of such services if they were to be provided separately and/or if we were to negotiate transaction fees and seek best price and execution of transactions for your individual account.

### **Termination of Advisory Relationship**

You may terminate the Investment Advisory Agreement upon written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the month for which you are a client. A termination fee of \$750.00 per account will apply if the Investment Advisory Agreement is terminated within the first two years.

Upon termination of accounts held at Schwab or Fidelity, they will deliver securities and funds held in the account per your instructions unless you request that the account be liquidated. After the agreement has been terminated, transactions are processed at the prevailing brokerage rates/fees. You become responsible for monitoring your own assets and our firm has no further obligation to act upon or to provide advice with respect to those assets.

In the case of account closures or transfers out, client grants LCM the right to cross trade any/all bond position(s) held in account(s) with existing clients, prior to transfer. Client acknowledges these cross trades may or may not generate a taxable event, and may incur a liquidation transaction fee as defined in the Investment Advisory Agreement.

### **Wrap Fee Program Disclosures**

- Wrap fee programs may not be suitable for all investment needs, and any decision to participate in a wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon, among other considerations.
- The benefits under a wrap fee program depend, in part, upon the size of the account and the number of transactions likely to be generated in the account. For example, a wrap fee program may not be suitable for accounts with little trading activity. In order to evaluate whether a wrap fee program is suitable for you, you should compare the Program Fee and any other costs of the Program with the amounts that would be charged by other advisors, broker-dealers, and custodians, for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided under the Programs.
- Participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from third parties.
- Schwab and Fidelity in 2019 eliminated commissions for online trades of U.S. equities, EFT's and options (subject to a per contract fee). This means that, in most cases, when we buy and sell these types of securities, we will not have to pay any commissions to



Schwab or Fidelity. We encourage you to review their pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap fee arrangement.

- LCM and its Associated Persons receive compensation as a result of your participation in the Program. This compensation may be more or less than the amount our firm or the Associated Person would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because our firm and Associated Persons have a financial incentive to recommend the Program and may recommend the Program over other programs or services for which the compensation arrangements are not as beneficial.

Due to the single fee charged to a Program account, we may be regarded as having a conflict of interest in that we may realize a greater profit on a Program account with a relatively low rate of portfolio turnover compared to other types of accounts, assuming the same level of fees.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in exchange traded funds or hold previously owned mutual funds; in certain exceptional market conditions, we may also buy or sell money market mutual funds in your portfolios if we believe it is in your interest. See Item 6-Methods of Analysis, Investment Strategies and Risk of Loss for more information. The wrap program fees that you pay to our firm for portfolio management services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, LCM, and others.

LCM will absorb all transaction costs related to its services under the Program. This includes commissions on equity trades, if any, and ticket charges (except as described below), trade away fees and prime brokerage fees on fixed income trades and account implementation fees. However, the broker-dealer or custodian may also charge your account for custodial fees, retirement account fees, trust fees, exchange fees, redemption fees that may be assessed on mutual fund shares, transfer fees, account termination fees or other special service fees and charges for which the client will be responsible. In addition, LCM does not pay those costs that are embedded in the price of the security such as mark-ups or mark-downs on the purchase or sale of fixed income instruments and does not cover margin interest. LCM does not share in any portion of these fees imposed by the broker-dealer or custodian.

In the event of "partial or full liquidations" at the request of the client, a liquidation transaction fee of \$20.00 per transaction can be charged for those positions closed or adjusted to generate the cash and/or transfer of assets requested by client. This fee may apply if client changes their investment criteria or risk profile significantly.

### **Cross Trades**

LCM, at times, will effect a cross transaction for an advisory client, provided that we believe the transaction is consistent with its fiduciary duty to the client.

Additionally, LCM will only execute cross transactions among its advisory clients if we believe the transactions will benefit both clients and both clients have been duly notified and have given their approval. These transactions will be executed through an independent broker. For any unsolicited

cross trades, the seller may incur a liquidation transaction fee as defined in the Investment Advisory Agreement.

### **Brokerage Practices**

We maintain relationships with several broker-dealers. We recommend that you establish an account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to our firm, including but not limited to, research, market information, and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm.

### **Research and Other Benefits**

If you participate in the Program, we recommend that a client utilize the brokerage and custodial services of Charles Schwab & Co. Advisor Services, a division of Charles Schwab & Co., Inc. ("Schwab"), member FINRA/SIPC, or Fidelity Brokerage Services LLC ("Fidelity"), Member FINRA/SIPC. Schwab and Fidelity are independent and unaffiliated SEC-registered broker-dealers. Schwab and Fidelity offer services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. It may be the case that the recommended broker charges a higher fee than another broker charges for a particular type of service, such as commission rates.

The products and services we receive from broker-dealers will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services. As part of our fiduciary duties to you, we endeavor at all times to put your interests first. You should be aware that the receipt of economic benefits by our firm is considered to create a conflict of interest.

Our participation in the following Schwab and Fidelity institutional platforms do not constitute a formal soft dollar agreement. However, we do receive economic benefits as a result of our participation as itemized below.

Schwab provides LCM with access to Schwab's institutional trading and custody services, which are typically not available to Schwab's retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab. Schwab Advisor Services includes brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For LCM client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to LCM other products and services that benefit LCM but may not benefit its clients' accounts. These benefits may include national, regional or LCM specific educational events organized and/or sponsored by Schwab. Other potential benefits may include

occasional business entertainment of personnel of LCM by Schwab personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist LCM in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of LCM's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of LCM's accounts. Schwab also makes available to LCM other services intended to help LCM manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to LCM by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to LCM. LCM is independently owned and operated and not affiliated with Schwab.

We receive substantially similar economic benefits as a result of our participation in the Fidelity Institutional platform.

#### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

#### **Directed Brokerage Wrap Program**

Transactions for your Program portfolio will be executed by Charles Schwab & Co., Inc. Advisor Services ("Schwab") and/or Fidelity Brokerage Services LLC ("Fidelity"), securities broker-dealers and members of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation, unless you direct LCM to execute certain trades through another broker-dealer. As such, we may be unable to achieve the most favorable execution of your transactions. In order to evaluate whether a wrap fee program is suitable for you, you should compare the Program Fee and any other costs of the Program with the amounts that would be charged by other advisors, broker-dealers, and custodians, for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided under the Programs. Not all advisors require their clients to direct brokerage to a specific securities firm or brokerage platform.

LCM suggests that a client use Schwab or Fidelity's prime broker services. Under "prime broker" arrangements, a client has the ability to execute trades of certain assets at broker-dealers other than Schwab or Fidelity. We may, on a transaction-by-transaction basis, utilize Schwab or Fidelity's prime broker service to execute transactions.

LCM executes 'trades away' from the Program broker-dealer in fixed income transactions. Trades away means LCM executes trades with brokers that it selects rather than with the Program's custodial broker-dealer. We believe that trading away from the custodial broker-dealer assists us in achieving best execution. For fixed income transactions, LCM typically trades away in client accounts if we believe the market conditions to be favorable for trading away and also if the security is one which we believe trading away facilitates seeking best execution. LCM absorbs

the trade away fees charged by Schwab and Fidelity.

Generally, LCM does not accept client directed brokerage arrangements, but may from time to time. If clients direct brokerage away from Schwab or Fidelity that may limit LCM's ability to block trades and/or obtain best price and execution. Additionally, clients may incur transaction costs.

## **Item 5 Account Requirements and Types of Clients**

We offer investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations and corporations.

In general, we require a minimum of \$25,000 to open and maintain an Equity / Asset Allocation Strategy Portfolio and \$100,000 for a Fixed Income Strategy Portfolio. At our discretion, we may waive this minimum portfolio size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

## **Item 6 Portfolio Manager Selection and Evaluation**

LCM is the sponsor and sole portfolio manager for the Program and does not select, recommend, and/or allocate Program assets to third-party managers to manage. Therefore, LCM does not utilize specific performance calculations or presentation standards as a tool in measuring third-party portfolio managers in regard to the Program. The firm, Mr. Nowicki and Mr. Wozny act as portfolio managers for the *LCM Private Asset Management Program* described in this Wrap Fee Program Brochure. This may create a conflict of interest in that LCM's portfolio managers could place their own or LCM's interests before a client's interest. To mitigate this conflict, LCM has adopted Compliance Procedures and a Code of Ethics designed to ensure that our Portfolio Manager(s)/Investment Adviser Representative(s) and other employees of the firm comply with the firm's fiduciary duty.

### **Advisory Business**

In addition to providing the *LCM Private Asset Management Program* service described in this Brochure, LCM also provides Advisory Services to Retirement and 529 Plans and Pension Consulting – Retirement Plan services, as outlined in the Form ADV Part 2A. Please refer to LCM's Form ADV Part 2A for additional information related to the Retirement and 529 Plans and Pension Consulting – Retirement Plan services offered.

Clients will work with an Associated Person of our firm to identify financial needs, investment objectives, tolerance for risk, and investment time horizon for each portfolio to be established in the Program. Based on the information provided, we will assist you in identifying objectives in accordance with the risk profile that is suitable for the portfolio. Each investment advisory service is constructed with a view to achieving certain objectives and risk profiles, and we will manage the portfolio's assets to reflect the strategy selected.

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

We do not accept performance-based fees or participate in side-by-side management.

Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are described under *Item 4.- The Program Fees* section above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

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

LCM primarily relies on a fundamental analysis in order to select portfolio securities, both equity and fixed income, and to determine whether particular securities should be held or sold. Our analysis focuses on the strength of the issuer. With respect to equities, LCM also considers sector and industry weightings of the company and whether it has the potential to be a long term holding versus other companies in a similar sector. LCM seeks to hold in its equity portfolios companies which hold a leading position in their sector. LCM will generally sell a holding if the equity no longer holds a leading position in its sector. The decision to add, remove or replace an equity security is based on the fundamentals of the security, for example, problems such as product failures or dividend cuts.

While cyclicalities can play a role in some security selections, the overall purpose is to invest in securities within a sector that we believe are most likely to maintain their leading position despite a downturn in their sector or the general economy and markets. Each of the principals of LCM has more than 32 years' experience; they apply this experience in making judgments from time to time regarding the individual securities included in the portfolio holdings. The LCM equity holdings are primarily derived from the S&P 500 and the EAFE International indices.

In addition to issuer fundamentals as described above, the selection of both equity and fixed income securities for client portfolios requires monitoring of, judgment related to, and a variety of factors including:

- Inflation
- Interest Rates
- Economy & Industry Sectors

The investment analysis process requires utilization of a variety of sources in order to provide the basis for objective and subjective informed judgments. These sources may include: government and Federal Reserve publications and reports, industry associations and publications, other Internet resources and seminars/webinars on economic, business and investment subjects.

### **Investment Strategies**

Your portfolio will primarily consist of individual equity and fixed income securities. We may invest, or recommend that you invest, in exchange traded funds or hold previously owned mutual funds. In certain exceptional market conditions, we may also buy or sell money market mutual funds in your portfolios if we believe it is in your interest however we expect such purchases to be limited. For example, from time to time, the rates paid on free cash balances in your portfolio may be higher in money market mutual funds than in other cash management options such as custodial sweep accounts; in such event, we may buy and sell such funds in your portfolio in order to increase the income in your portfolio.

LCM utilizes investment strategies that primarily employ asset allocation adapted to the needs of each client, based on risk tolerance and investment goals. Risk-based asset allocation provides a framework for determining an appropriate balance of risk and return over a long-term time horizon. Asset allocation is the relative mix of cash, fixed income, and equity securities suitable for a client's investment portfolio.

LCM utilizes one or more of the following investment strategies when implementing investment advice:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

Generally, our investment strategies utilize long term purchases and low portfolio turnover and infrequently use short term purchases and trading.

We rebalance portfolios in light of current market conditions and client needs. The investment advice provided along with the strategies suggested by LCM will vary depending on each client's specific financial situation and goals. This brief statement does not disclose all of the risks and other significant aspects of investing in financial markets. You should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for many members of the public. You should carefully consider whether the strategies employed will be appropriate for you in relation to your experience, objectives, financial resources and other relevant circumstances.

### **General Investment Risk**

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

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

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may decline due to changes in general market conditions, economic trends or events that are not specifically related to the issuer of the security. For example, political, economic and social conditions may trigger market events, including the possibility that the markets will go down sharply and unpredictably. Local, regional or global events such as war, acts of terrorism, social disorder, acts of God, the spread of infectious illness, pandemic or other public health issue, recessions, or other events could have a significant adverse impact on the prices of stocks and bonds.



- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with an industry or a company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy or a declining market value.

### **Specific Strategies Risks**

In regard to certain clients and their individual financial needs, LCM occasionally will use short selling as a strategy to manage aspects of their portfolio. This strategy is utilized with consent from the client. Short selling is an investment strategy with a high level of inherent risk. Short selling, involves the selling of assets that the investor does not own. The investor borrows the assets from a third-party lender (typically, a broker-dealer) with the obligation of buying identical assets later to return to the third-party lender. Individuals who engage in this activity will only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

At the request of the client, LCM uses margin in client accounts to manage liquidity needs and the timing of purchases and sales, as appropriate and with prior approval from the client. In addition, when appropriate, LCM employs options strategies to hedge or gain additional exposure to a particular asset class or sector. Following are some of the risks associated with certain transactions:

- To the extent that a client authorizes the use of margin, and margin is thereafter employed by us in the management of the client's investment portfolio, the market value of your account and the corresponding fee payable by you to us will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest

whereby the client's decision to employ margin shall correspondingly increase the management fee payable to us. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

- Investments in options contracts have the risk of losing value in a relatively short period of time. Option contracts are leveraged instruments that allow the holder of a single contract to control many shares of an underlying stock. This leverage can compound gains or losses.

Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each client should understand and be willing to bear.

### **Proxy Voting**

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

In the event you wish to direct our firm on voting a particular proxy, you should contact John Nowicki at (312) 705-3013 and/or [jnowicki@lcmcapital.com](mailto:jnowicki@lcmcapital.com) with your instruction.

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

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

## **Item 7 Client Information Provided to Portfolio Managers**

Each client's income, net worth, risk tolerance, and investment goals are disclosed to LCM during the account inception process. Appropriate asset allocations and wrap fee program participation are determined for the client based on this information.

At least annually, LCM attempts to contact clients to determine whether they have had any changes to their investment goals and risk tolerance. It is the client's responsibility to advise us



of any changes to the information previously provided that might impact the ongoing suitability of any investment strategy or objectives. Should changes occur to a client's financial conditions we request that the client contact us as soon as possible.

## **Item 8 Client Contact with Portfolio Managers**

LCM and its Associated Persons are the sole portfolio managers to the Program. We do not place any restrictions on clients who wish to contact or consult with us. Our primary contact regarding questions about the Program is John Nowicki, CCO. He can be reached at 312 705-3013 or at [jnowicki@lcmcapital.com](mailto:jnowicki@lcmcapital.com).

## **Item 9 Additional Information**

### **Disciplinary Information**

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any disclosures under this item.

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

#### **Insurance Agency**

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

#### **Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices and to act at all times in a manner consistent with our fiduciary duty to our clients. Our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, the Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items. All supervised persons at LCM must acknowledge the terms of the Code of Ethics annually, or as amended.

Our Code of Ethics is available to you upon request. You may obtain a copy by contacting us at (312) 705-3013 or [jnowicki@lcmcapital.com](mailto:jnowicki@lcmcapital.com).

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

LCM has offered for sale and sold convertible bonds in its own company to some, but not all, of its advisory clients. The bonds have all matured, with some being converted to shares of ownership in LCM, while other bondholders chose a return of principal. The ownership in LCM represented by these shares is approximately 8% in total. This creates a conflict of interest in that

LCM has an incentive to favor those clients that have purchased and received an equity position over those that do not have equity ownership in LCM. These conflicts are mitigated by the fiduciary duty LCM and its advisory representatives have to act in the client's interest, and by their commitment to follow LCM's Code of Ethics.

### **Personal Trading Practices**

LCM and its Access Persons may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. This conflict is mitigated by the fiduciary duty LCM has to act in the client's best interest and by our policy. It is the expressed policy of LCM that no Access Person may purchase or sell any security within the current investment universe of LCM's strategies without the prior written approval of the CCO. CCO trades for those same securities must be approved in writing by the CEO. We may combine our orders to transact in securities with your orders to transact in securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

### **Review of Accounts**

John Nowicki and Gary Wozny, principals of LCM, oversee all investments and portfolio strategies. Portfolios are reviewed quarterly. The reviews ensure that the advisory services provided to you and the portfolio mix is consistent with your current investment needs and objectives. At least annually, we will notify you in writing to contact us or the representative if there have been changes in your financial situation or investment objectives. At least annually, you will also be contacted to discuss these issues. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

We will provide you with a quarterly report which shows gains and losses for the period. Additional reports such as bond analyses, asset allocation reports and other reports may be provided as determined by the requirements of the client. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s). LCM urges clients to compare carefully the reports provided by LCM and the account statements provided by the custodian for accuracy and completeness.

### **Client Referrals and Other Compensation**

We receive an economic benefit from Schwab and Fidelity in the form of the support products and services which they make available to us and other independent investment advisors that have their clients maintain accounts at Schwab and Fidelity. These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability to us of Schwab and Fidelity's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

As disclosed under the "Fees and Compensation" section in this Brochure, Associated Persons providing investment advice on behalf of our firm are licensed insurance agents. For information

on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

We have entered into contractual arrangements with one or more Associated Persons of our firm, under which these individuals may receive compensation from our firm for the establishment of new client relationships. Associated Persons who refer clients to our firm must comply with the requirements of the jurisdictions where they operate. Incentive based compensation paid to any such employee will be contingent upon you, as client, entering into an advisory agreement with our firm. You will not be charged additional fees based on this compensation arrangement. However, such a contractual arrangement creates a conflict of interest as the Associated Person will have a financial incentive to recommend our firm to you for advisory services. However, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

LCM has entered into a Client Benefit agreement with Charles Schwab & Co., Inc. ("Schwab") through its Advisor Services division. Under the provisions of the agreement, Schwab will pay third-party vendor invoices on behalf of LCM for products and services deemed eligible in the "Guidelines". The eligible services are listed under four general categories: Legal, Compliance, Technology & Research, and Marketing & Consulting. Invoices must be billed to LCM and submitted to Schwab by LCM.

LCM has entered into a Support Services agreement with Fidelity Brokerage Services, LLC ("Fidelity"). Fidelity through its Institutional Wealth Services division has agreed to pay for certain support services that are intended to support LCM in conducting its business. Fidelity will pay for transition related expenses up to a specified limit in connection with LCM's transition to Fidelity.

### **Financial Information**

We are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. LCM does not have any adverse financial condition to report. LCM has not been the subject of a bankruptcy petition at any time. Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

## **Item 10 Requirements for State-Registered Advisers**

This section is not applicable to our firm because we are an SEC registered investment adviser.

**Part 2B: The Brochure Supplement:** Here we provide information about advisory personnel on whom you rely for investment advice. We must provide this supervised person's supplement to you, our client initially at or before the time when *that* specific supervised person begins to provide you with advisory services.

### **Item 1. Cover Page**

This brochure supplement provides information about John M. Nowicki that supplements the LCM Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact John Nowicki, the firm's Chief Compliance Officer, if you did not receive LCM Capital Management Inc.'s brochure or if you have any questions about the contents of this supplement. Additional information about John M. Nowicki is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**JOHN MICHAEL NOWICKI**

**LCM Capital Management Inc.**  
[CRD # 111074/SEC # 801-67893]

**Main Office**

209 W. Jackson Boulevard, Suite 777  
Chicago, IL 60606

Telephone: 312-705-3013  
Facsimile: 312-705-5044

## **JOHN MICHAEL NOWICKI**

Born: 1965 / CRD-1740120

President; Chief Compliance Officer, from 9/2002

Registered with the firm since 5/1/2001

### **Item 2. Educational Background and Business Experience**

#### Education:

Graduated from Indiana University 1987 Bachelor of Science in Financial Management

#### Employment:

Registered Representative/Vice President for Oppenheimer & Co. from 1991 to 11/1994

Registered Representative/Senior Vice President for Dain Rauscher from 11/1994 to 1/2000

Registered Representative for Madison Securities, Inc. from 1/2000 to 5/2001

Managing Director/Adviser for Madison Asset Management, Inc. from 9/2000 to 5/2001

Registered Representative for LaSalle St. Securities, Inc. from 5/2000 to 8/2012

Investment Advisor Rep. for Quantum Holdings LLC dba Quantum Capital Investments from 8/2012 to 10/2013

Managing Director/ Adviser for LCM Capital Management, Inc. from 5/2001 to 9/2002

Independent Insurance Agent from 6/2001 to Present

Managing Director, President, COO, CCO for LCM Capital Management, Inc. from 9/2002 to Present

### **Item 3. Disciplinary Information**

Are there events disclosed about this Investment Adviser Representative? **No**

Is there information available about this individual in BrokerCheck? **Yes.**

Are there events disclosed about this broker? **No**

### **Item 4. Other Business Activities**

Mr. Nowicki has a financial industry affiliated business as an insurance agent. From time to time, he will offer clients advice or products from this activity. He may receive separate yet typical compensation in the form of commissions for the sale of insurance products.

This practice represents a conflict of interest because it gives Mr. Nowicki an incentive to recommend products based on the commission amount received. This conflict is mitigated by the fact that Mr. Nowicki has a fiduciary responsibility to place the best interest of the client first and the clients are not required to purchase any products. Clients have the option to purchase these products through another insurance agent of their choosing.

### **Item 5. Additional Compensation**

Mr. Nowicki receives additional compensation in his capacity as an insurance agent, but he does not receive any performance based fees.

### **Item 6. Supervision**

Mr. Nowicki is himself the supervisor for the persons registered with LCM to provide investment advice to clients.

He reviews the advisory activities of the independent contractor investment advisory representatives registered through the firm. Together Mr. Wozny and Mr. Nowicki supervise the formulation of investment advice used in the construction of the firm's model portfolios used in its wrap fee program. Mr. Wozny reviews Mr. Nowicki's personal trading activities as part of the firm's measures to enforce the prohibition against using insider information.

**Part 2B: The Brochure Supplement:** Here we provide information about advisory personnel on whom you rely for investment advice. We must provide this supervised person's supplement to you, our client initially at or before the time when *that* specific supervised person begins to provide you with advisory services.

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**GARY MICHAEL WOZNY**

**LCM Capital Management Inc.**  
[CRD # 111074/SEC # 801-67893]

**Main Office**

209 W. Jackson Boulevard, Suite 777  
Chicago, IL 60606  
Telephone: 312-705-3013  
Facsimile: 312-705-5044

**GARY MICHAEL WOZNY**

Born: 1960 / CRD-1749964  
Chairman, CEO of LCM since 9/2002

Registered with the firm 4/2001

**Item 2. Educational Background and Business Experience**

Education:

Graduated from Northeastern University 1982, with a Bachelor of Arts in Business

Employment:

Registered Representative/Vice President for Oppenheimer & Co. from 8/1991 to 11/1994

Registered Representative/Senior Vice President for Dain Rauscher from 11/1994 to 1/2000

Registered Representative for Madison Securities from 1/2000 to 4/2001

Managing Director/Adviser Madison Asset Management, Inc. from 9/2000 to 4/2001

Registered Representative for LaSalle St. Securities, Inc. from 5/2000 to 8/2012

Investment Advisor Rep. for Quantum Holdings LLC dba Quantum Capital Investments 8/2012 to 11/2013

Managing Director/Adviser LCM Capital Management, Inc. from 4/2001 to 9/2002

Independent Insurance Agent from 2/1989 to Present

Managing Director, Chairman of the Board, CEO for LCM Capital Management, Inc. from 9/2002 to present

**Item 3. Disciplinary Information.**

Are there events disclosed about this Investment Adviser Representative? **No**

Is there information available about this individual in BrokerCheck? **Yes.**

Are there events disclosed about this broker? **No**

**Item 4. Other Business Activities.**

Mr. Wozny has a financial industry affiliated business as an insurance agent. From time to time, he will offer clients advice or products from this activity. He may receive separate yet typical compensation in the form of commissions for the sale of insurance products.

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