

# Lear Investment Management Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Lear Investment Management. If you have any questions about the contents of this brochure, please contact us at (214) 445-5900 or by email at: [Rick@LearIM.com](mailto:Rick@LearIM.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.*

*This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of offering, governing and/or account documents that contain a description of the material terms relating to such securities, investments or services.*

*Additional information about Lear Investment Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Lear Investment Management's CRD number is: 174119.*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

This section of the Brochure only provides a summary of all material changes that were made to the Brochure since the Adviser's last annual amendment. Since our last annual amendment on February 8, 2019, we have updated Item 4 to reflect the assets under management as of December 31, 2019.

The information set forth in this brochure is qualified in its entirety by the applicable offering and/or governing documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering and/or governing documents, such documents will control.

We encourage all clients and investors to carefully review this document in its entirety.

## Item 3: Table of Contents

Item 2: Material Changes .....	1
Item 3: Table of Contents .....	2
Item 4: Advisory Business .....	2
Portfolio Management Services .....	2
Sub-Advisory Services .....	3
Item 5: Fees and Compensation.....	4
Asset-Based Fees for Portfolio Management.....	4
Sub-Advisory Services Fees .....	4
Payment of Asset-Based Portfolio Management Fees.....	4
Item 6: Performance-Based Fees and Side-By-Side Management .....	5
Item 7: Types of Clients .....	5
Minimum Account Size .....	5
Account Requirements.....	5
Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss .....	6
Methods of Analysis.....	6
Investment Strategies .....	6
Investment Strategies .....	8
Item 9: Disciplinary Information .....	9
Item 10: Other Financial Industry Activities and Affiliations.....	9
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	9
Item 12: Brokerage Practices.....	9
Item 13: Reviews of Accounts .....	9
Item 14: Client Referrals and Other Compensation .....	9
Item 15: Custody .....	9
Item 16: Investment Discretion .....	9
Item 17: Voting Client Securities (Proxy Voting).....	9
Item 18: Financial Information .....	9

## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

Lear Investment Management (hereinafter "LIM") is a Limited Liability Company organized in the State of Texas.

The firm was formed in November 2014, and the principal owner is Frederick Wayne Lear.

### **B. Types of Advisory Services**

#### ***Portfolio Management Services***

LIM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. LIM constructs an investment plan and portfolio that matches each client's specific situation. Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

LIM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. LIM will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

LIM seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of LIM's economic, investment or other financial interests. To meet its fiduciary obligations, LIM attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and accordingly, LIM's policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. Please note, each client has unique set of circumstances which affect timing, amount and selection of securities for portfolios. Portfolio will vary between clients based on firm's discretion.

### ***Sub-Advisory Services***

LIM also acts as a sub-adviser to other investment firms. When serving as sub-adviser, depending on the terms of the sub-advisory agreement LIM may not have a direct relationship with clients of these firms and may not have contact with those clients. These firms are responsible for establishing the financial circumstances, investment objectives and investment restrictions of each sub-advised client. The advisory agreement will be between the client and the respective firm and will dictate the terms and conditions of the relationship, including the fees paid to and services provided by or through the respective firm.

### **C. Client Tailored Services**

When appropriate, LIM will tailor a program for individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by LIM on behalf of the client. LIM may use "model portfolios" together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients generally may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent LIM from properly servicing the client account, or if the restrictions would require LIM to deviate from its standard suite of services, LIM reserves the right to end the relationship.

### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and other administrative fees. LIM does not participate in any wrap fee programs.

### **E. Assets Under Management**

LIM has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$144,113,841	\$41,955	December 31, 2019

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Asset-Based Fees for Portfolio Management*

Total Assets Under Management	Annual Fee
\$0 - \$10,000,000	1.00%
\$10,000,001 - \$30,000,000	0.90%
\$30,000,001+	0.80%

These fees are generally negotiable, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Clients may terminate the agreement without penalty for a full refund of LIM's fees within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract immediately upon written notice.

LIM bills based on the balance, to include any margin balances which are being actively managed, on the first day of the billing period.

#### *Sub-Advisory Services Fees*

The fee arrangement for managing assets for other investment firms will be negotiated for each corporate relationship.

### B. Payment of Fees

#### *Payment of Asset-Based Portfolio Management Fees*

Asset-based portfolio management fees are withdrawn directly from the client's accounts with client's written authorization on a quarterly basis. Fees are paid in advance.

Clients are responsible for the payment of all third-party fees (i.e., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by LIM. Please see Item 12 of this brochure regarding broker-dealer/custodian.

## **D. Prepayment of Fees**

LIM collects fees in advance. Refunds for fees paid in advance will be returned within fourteen days to the client via check or return deposit back into the client's account.

For all asset-based fees paid in advance, the fee refunded will be equal to the balance of the fees collected in advance minus the daily rate\* times the number of days elapsed in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee rate by 365.)

## **E. Outside Compensation for the Sale of Securities to Clients**

Neither LIM nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

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

## **Item 7: Types of Clients**

LIM generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

### ***Minimum Account Size***

The minimum account size for LIM's services is \$500,000, subject to LIM's discretion.

### ***Account Requirements***

Among other things, clients generally will be required to sign investment management agreements (and/or other contractual arrangements) that, among other things, set forth the nature and scope of LIM's investment management authority, services and the investment objectives, guidelines and restrictions applicable to the management of client accounts.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

LIM's methods of analysis include charting analysis, fundamental analysis, technical analysis, cyclical analysis, quantitative analysis and modern portfolio theory.

**Charting analysis** involves the use of patterns in performance charts. LIM uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

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

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

Notwithstanding the foregoing, LIM will provide investment advisory services to each client in accordance with the investment strategies, objectives and guidelines that are applicable thereto.

The methods of analysis above are not intended to be comprehensive.

#### *Investment Strategies*

The Lear Investment Management ("LIM") investment philosophy centers around a deep focus and commitment to achieve investment returns for a controlled amount of risk. The Strategy aims to achieve this goal by implementing a combination of quantitative and qualitative research techniques to identify attractive securities to express our global investment thesis. The result is a global, multi-asset class, tactical investment strategy.



## **B. Material Risks Involved**

### ***Methods of Analysis***

**Charting analysis** strategy involves using and comparing various charts to predict long and short-term performance or market trends. The risk involved in using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

**Quantitative Model Risk:** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

**Modern Portfolio Theory** assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

## ***Investment Strategies***

LIM's use of margin transactions generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Certain Risk Factors**

*There can be no assurance that clients will achieve their investment objectives or that investments will be successful. LIM's investment strategies will involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that LIM's investment strategies are low risk or risk free. LIM's investment strategies generally will only be appropriate for sophisticated persons who fully understand and are capable of bearing the risks of investment. The various risks outlined below are not the only risks associated with LIM's investment strategies and processes and will not necessarily apply to each client.*

LIM's use of margin transactions generally holds greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

**General Economic and Market Conditions.** The success of LIM's investment strategies and recommendations are affected by general economic and market conditions, such as changes in interest rates, availability of credit, competition, industry conditions, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of client investments), trade barriers, unemployment rates, release of economic data, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters, or security operations). These factors may affect the level and volatility of securities prices and the liquidity of client investments. Volatility and/or illiquidity could impair a client's profitability or result in losses. Clients could incur material losses even if LIM reacts quickly to difficult market conditions, and there can be no assurance that clients will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Clients

should realize that markets for the financial instruments in which LIM seeks to invest on behalf of clients can correlate strongly with each other at times or in ways that are difficult to predict. Even a well-analyzed approach may not protect clients from significant losses under certain market conditions.

**Potential for Fraud.** In spite of LIM's desire to invest client assets in reputable and trustworthy companies, there is a risk that LIM may invest client assets in issuers that engage in fraud. To the extent that LIM invests client assets in a company that engages in fraud, a client could lose all or a substantial portion of its investment in such company and it could have a material adverse effect on the client's financial condition and results of operations.

**Terrorist Attacks, War and Natural Disasters.** Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad and natural disasters may adversely affect the United States, its financial markets and global economies and markets and could prevent LIM from meeting LIM's respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and recent natural disasters have created many economic and political uncertainties, which may adversely affect the United States and world financial markets and LIM's clients for the short or long-term in ways that cannot presently be predicted.

**Investment and Trading Risks Generally.** All investments risk the loss of capital. No guarantee or representation is or can be made that LIM's investment strategies will be successful. LIM's investment strategies involve, without limitation, risks associated with equity investments, limited diversification, short-selling, leverage, equity risks, interest rates, volatility, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in LIM's investment activities. Certain of LIM's investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which clients may be subject. In addition, client investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where LIM invests client assets.

LIM's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

**Mutual Funds.** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Equity Risks.** LIM may invest client assets in equity and equity-linked securities. The market price of securities owned by LIM's clients may go up or down, sometimes rapidly or unpredictably. Equity securities in a client's portfolio may decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general

market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which LIM believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame we anticipate. As a result, a client may lose all or substantially all of its investment in any particular instance.

**Fixed Income.** Fixed Income investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs).** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance.

**Distressed Securities.** LIM may invest client assets in distressed securities. Direct investments in distressed securities generally involve acquiring securities of companies that are experiencing significant financial difficulties and of companies that are, or appear likely to become, bankrupt or involved in a debt restructuring or other major capital transaction. Consequently, there is a high degree of risk associated with these investments because such companies may never recover and the value of such investments may be lost.

**Small and Mid-Capitalization Companies.** LIM may invest client assets in the securities of small and mid-capitalization companies, as well as securities traded only in the over-the-counter markets. Although investments in these companies have the potential to produce significant returns, such investments generally involve a higher degree of

risk than investments in larger companies due to the issuer's lack of financial resources, management experience, product diversification and competitive strength. These and other factors may, from time to time, result in operating and financial setbacks that may have a material adverse effect on a particular investment.

**Short Selling.** Client accounts may include short positions. In a short sale, the seller sells a security that it does not own. Because the seller remains liable to return the underlying security that it borrowed, the seller must purchase the security prior to the date on which delivery is required. As a result, LIM will engage in short sales only where LIM believes the value of the security will decline between the date of the sale and the date LIM's client is required to return the borrowed security. The making of short sales will expose LIM's clients to the risk of liability for the market value of the security that is sold, which will be an unlimited risk due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available to be borrowed at reasonable costs. If a request for return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, and LIM's client may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short.

**Highly Volatile Markets.** The prices of financial instruments in which clients may invest can be volatile. Price movements of the financial instruments in which client assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. Clients are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. In addition, governments from time to time intervene in certain markets, directly and by regulation, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

**Interest-Rate Risk.** The value of the fixed-rate securities in which LIM may invest will generally have an inverse relationship with interest rates. Accordingly, if interest rates rise, the value of such securities will generally decline, which may in turn adversely affect the profitability of LIM's clients.

**Illiquid Investments.** Some investments held by LIM's clients may not be able to be sold except pursuant to a registration statement filed under the U.S. Securities Act of 1933, as amended (the "Securities Act") or in accordance with Rule 144 or another exemption under the Securities Act. Furthermore, because of the speculative and non-public nature of some investments, LIM may, from time to time, sell or otherwise dispose of investments that later prove to be more valuable than anticipated at the time of such disposition. Any premature sales or dispositions of client investments may prevent LIM's clients from realizing as great an overall return on investment as may have been

realized if such sales or dispositions had been made at a later date, which may adversely affect investment results of the investors.

Certain securities may be difficult or impossible to sell at the time and price that LIM desires. LIM may have to lower the price, sell other securities instead or forego an investment opportunity, any of which could have a negative effect on the profitability of LIM's clients.

**Limited Diversification and Risk Management Failures.** Though LIM attempts to diversify clients' position, sector, and geographic exposures through use of certain position limits, at any given time, LIM's clients' portfolios may not be diversified to any material extent, and, as a result, LIM's clients could experience significant losses if general economic conditions, and, in particular, those relevant to the issuers whose securities are owned by LIM's clients, decline. In addition, client accounts could become significantly concentrated in a limited number of issuers, types of financial instruments, industries, strategies, countries or geographic regions, and any such concentration of risk may increase losses suffered by such clients. This limited diversity could expose clients to losses disproportionate to market movements in general. Other advisers pursue similar strategies, which creates the risk that many advisers may be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses. Although LIM attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in LIM's risk management efforts could result in material losses for clients.

**Relative Value and Directional Investments.** The success of clients depends on LIM's ability to accurately predict future price movements or the convergence of market prices toward the theoretical values expected by LIM. Any such attempt to predict future price movements is inherently risky and inaccurate. Often, price movements will be determined by unanticipated factors, and LIM's analysis of known factors may prove incorrect, in each case potentially leading to substantial losses to clients.

**Trading Decisions.** LIM's trading decisions will be based on fundamental, technical and other analysis. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisers' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that LIM's strategies will be successful under all or any market conditions.

**"Widening" Risk.** For reasons not necessarily attributable to any of the risks set forth herein (for example, supply/demand imbalances or other market forces), the prices of

the securities in which clients invest may decline substantially. In particular, purchasing assets at what may appear to be “undervalued” levels is no guarantee that these assets will not be trading at even more “undervalued” levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such “spread widening” risk.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR INVESTMENT PROGRAM. CLIENTS SHOULD READ THIS BROCHURE AND ANY OTHER APPLICABLE ACCOUNT DOCUMENTS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. INVESTING IN SECURITIES INVOLVES A RISK OF LOSS THAT YOU, AS A CLIENT, SHOULD BE PREPARED TO BEAR.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither LIM nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither LIM nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither LIM nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

LIM does not utilize nor select third-party investment advisers. All assets are managed by LIM management.

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

### **A. Code of Ethics**

LIM has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. LIM's Code of Ethics is available free upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

LIM does not recommend that clients buy or sell any security in which a related person to LIM or LIM has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of LIM may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of LIM to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. LIM will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.



## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of LIM may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of LIM to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, LIM will never engage in trading that operates to the client's disadvantage if representatives of LIM buy or sell securities at or around the same time as clients.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker-Dealers**

Custodians/broker-dealers will be recommended based on LIM's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent, and LIM may also consider the market expertise and research access provided by the custodian/broker-dealer, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers that may aid in LIM's research efforts. LIM will never charge a premium or commission on transactions, beyond the actual cost imposed by the custodian/broker-dealer.

#### **The Custodian/Broker-Dealer LIM Uses**

LIM does not maintain custody of client assets that LIM manages (although LIM may be deemed to have custody of client assets if client gives LIM authority to withdraw assets from client account (see Item 15 Custody below)). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. While LIM recommends that clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian, clients may use other custodians as well. LIM is independently owned and operated and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when LIM instructs them to do so. To use Schwab as custodian/broker-dealer, clients must open their account(s) with Schwab by entering into an account agreement directly with Schwab. LIM does not open accounts for clients. Even though clients' accounts are maintained at Schwab, LIM can still use other brokers to execute trades for client accounts, as described in the next paragraph.

#### **How LIM Selects a Custodian/Broker-Dealer**

LIM seeks to use a custodian/broker-dealer who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other

available providers and their services. LIM considers a wide range of factors, including, among others, the following:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades (buy and sell securities for client accounts)
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- Availability of investment research and tools that assist LIM in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- Reputation, financial strength and stability of the provider
- Their prior service to LIM and LIM's clients
- Availability of other products and services that benefit LIM, as discussed below (see "Products and Services Available to LIM from Schwab")

#### **Clients' Custody and Brokerage Costs**

For LIM's clients' accounts that LIM maintains, Schwab generally does not charge clients separately for custody services but is compensated by charging clients commissions or other fees on trades that it executes or that settle into a client's Schwab account. In addition to commissions, Schwab charges clients a flat dollar amount as a "prime broker" or "trade away" fee for each trade that LIM has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a client's Schwab account. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. Because of this, in order to minimize client trading costs, LIM has Schwab execute most trades for client accounts.

#### **Research and Other Soft-Dollar Benefits**

While LIM has no formal soft dollars program in which soft dollars are used to pay for third party services, LIM receives research, products, or other services from custodians and broker-dealers in connection with client securities transactions ("soft dollar benefits") as discussed below. LIM may enter into soft-dollar arrangements consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and LIM does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. LIM benefits by not having to produce or pay for the research, products or services, and LIM will

have an incentive to recommend a broker-dealer based on receiving research or services. Clients should be aware that LIM's acceptance of soft dollar benefits may result in higher commissions charged to the client.

### **Products and Services Available to LIM from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving investment advisory firms like LIM. They provide LIM and LIM's clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help LIM manage or administer LIM's clients' accounts while others help LIM manage and grow LIM's business. Here is a more detailed description of Schwab's support services:

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

Services that May Not Directly Benefit All Clients. Schwab also makes available to LIM other products and services that benefit LIM but may not directly benefit all clients and their accounts. These products and services assist LIM in managing and administering LIM's clients' accounts. They include investment research, both Schwab's own and that of third parties. LIM may use this research to service all or some substantial number of LIM's clients' accounts. In addition to investment research, Schwab also makes available software and other technology that:

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

Services that Generally Benefit Only LIM. Schwab also offers other services intended to help LIM manage and further develop LIM's business enterprise. These services include:

- Educational conferences and events;
- Technology, compliance, legal and business consulting;
- Publications and conferences on practice management and business succession and

- Access to employee benefits providers, human capital consultants and insurance providers.

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

### **Brokerage for Client Referrals**

LIM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### **Clients Directing Which Broker/Dealer/Custodian to Use**

LIM may permit clients to direct it to execute transactions through a specified broker-dealer. If a client directs brokerage, then the client will be required to acknowledge in writing that the client's direction with respect to the use of brokers supersedes any authority granted to LIM to select brokers; this direction may result in higher commissions, which may result in a disparity between free and directed accounts; and trades for the client and other directed accounts may be executed after trades for free accounts, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions. Not all investment advisers allow their clients to direct brokerage.

## **B. Aggregating (Block) Trading for Multiple Client Accounts**

When appropriate, LIM will aggregate or bunch the securities to be purchased or sold for multiple clients. LIM will use discretion to determine when to use a block trade or trade in a client's individual account. We use best practices to ensure allocations are fair and equitable. However, due to the customized nature of our portfolio management service, the trade allocations can vary based on specific circumstances.

# **Item 13: Reviews of Accounts**

## **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client accounts for LIM's advisory services provided on an ongoing basis are reviewed at least quarterly by the LIM Investment Team with regard to clients' respective investment policies and risk tolerance levels.

## **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

## **C. Content and Frequency of Regular Reports Provided to Clients**

Each client of LIM's advisory services provided on an ongoing basis will receive a monthly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian.

# **Item 14: Client Referrals and Other Compensation**

## **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

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

## **B. Compensation to Non – Advisory Personnel for Client Referrals**

It is LIM's practice to reward employees for referring clients to the Firm. These employees will receive a portion of the fee which the client pays to the Firm for the duration of the relationship.

# **Item 15: Custody**

Under government regulations, LIM may be deemed to have custody of client assets if the client authorizes LIM to instruct Schwab to deduct LIM's advisory fees directly from the client's account. Schwab maintains actual custody of client assets. Clients will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address clients provided to Schwab. Clients should carefully review those statements

promptly when received. LIM also urges clients to compare Schwab's account statements to the periodic statements clients will receive from LIM.

If LIM has, or is deemed to have, custody of client cash and securities, such cash and securities may (to the extent required by Rule 206(4)-2 under the U.S. Investment Advisers Act of 1940, as amended ) be verified by a surprise examination at least once each calendar year by a PCAOB-registered independent public accountant.

Certain clients have granted or may in the future grant to us the limited power in standing letters of authorization (SLOAs) to disburse funds from their custodial accounts at Schwab to one or more persons specifically designated by such clients. While we generally are deemed to have custody of such clients' cash and securities for purposes of Rule 206(4)-2 under the Advisers Act, we do not expect to obtain a surprise examination of such client accounts in accordance with the relief provided by the SEC in a February 21, 2017 no-action letter addressed to the Investment Adviser Association ("SLOA No-Action Letter"). In the event that we no longer comply with all of the conditions for the relief set forth in the SLOA No-Action Letter with respect to a client account, we will cause such client's cash and securities to be subject to an annual surprise examination in accordance with the requirements of Rule 206(4)-2 under the Advisers Act. We have included all client assets that are subject to a SLOA that result in custody in response to Item 9.A(2) of Part 1 of Form ADV.

## **Item 16: Investment Discretion**

LIM provides discretionary investment advisory services to clients. The Investment Advisory Contract established with each client sets forth the discretionary authority for trading. Where investment discretion has been granted, LIM generally manages the client's account and makes investment decisions without consultation with the client as to when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, what securities to buy or sell, or the price per share. In some instances, LIM's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to LIM).

Each client will generally provide LIM with a limited power of attorney to enable LIM to conduct authorized trading on its behalf.

## **Item 17: Voting Client Securities (Proxy Voting)**

LIM will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

LIM neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither LIM nor its management has any financial condition that is likely to reasonably impair LIM's ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

LIM has not been the subject of a bankruptcy petition in the last ten years.