

Alan B. Lancz and Associates, Inc.

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This Brochure provides information about the qualifications and business practices of Alan B. Lancz and Associates, Inc. If you have any questions about the contents of this Brochure, please contact us at 419.536.5200 or abl@ablonline.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.

Alan B. Lancz & Associates, Inc. is a Registered Investment Advisor. Registration of an Investment Adviser does not imply endorsement by the SEC of the qualifications of Alan B. Lancz & Associates, Inc. to provide investment advice. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Alan B. Lancz & Associates, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

This Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

The date of the last annual update of our Brochure is February 28, 2020.

Changes in this annual Brochure update include:

- **Item 8:** Methods of analysis, investment strategies and risk of loss detailed and updated.
- **Item 10:** Other financial industry activities and affiliations updated.

Our Brochure is available free of charge and may be requested by contacting our offices at 419.536.5200 or abl@ablonline.com. Our Brochure is also available on our web site, www.ablonline.com, free of charge.

Additional information about Alan B. Lancz and Associates, Inc. is available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Alan B. Lancz and Associates, Inc. who are registered, or are required to be registered, as investment adviser representatives of Alan B. Lancz and Associates, Inc.

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Item 4 - Advisory Business

Alan B. Lancz is the President and sole Owner of Alan B. Lancz and Associates, Inc. He graduated from the University of Toledo with a B.A. degree (Psychology), and established his own firm specializing in financial planning and investments in 1980. In 1981, Mr. Lancz became managing executive for the predecessor of Royal Alliance Associates, Inc. In 1985, Mr. Lancz incorporated this professional money management entity as a part of his firm, Alan B. Lancz & Associates, Inc., of which Mr. Lancz serves as President. Since February 27, 2020 Alan B. Lancz has both his general securities and registered principal licenses with Crescent Securities. Approximately one year prior Mr. Lancz resigned from International Assets Advisory, which held his licenses since 2018. MidAmerica Financial Services, Inc. held them the prior ten years and Capital Investment Group held them for the ten years prior to MidAmerica. Please note that all final decisions concerning professional money management accounts are made by Alan B. Lancz.

(Throughout the remainder of this Brochure, we may refer to Alan B. Lancz and Associates, Inc. as “ABL, Inc.”, or the “Firm”).

As of December 31, 2019, Alan B. Lancz and Associates, Inc. manages \$161,103,772.00 of assets that are on a discretionary basis.

The Firm provides money management services, custom designed to each client's specific goals, objectives, and risk tolerance. This ranges from guaranteed accounts and negotiating the most competitive interest rates and terms to a variety of non-guaranteed combinations, depending on each client's objectives. This could encompass equities, fixed income, real estate, currencies, and commodities, all from a global perspective. Tax and risk management are critical components of ABL, Inc.'s services.

The Firm also advises both employers and participants on employee benefits, financial and estate planning, on a case by case basis.

ABL, Inc. emphasizes the unrestricted right of the client to specify investment objectives, guidelines, and/or other conditions for the management of their account. **(See Item 13).**

Item 5 - Fees and Compensation

The specific manner in which fees are charged by ABL, Inc. is established in a client's written agreement with the Firm. Fees are based on a percentage of the total market value of assets in the investment account at the start of each three month period. The fee is non-negotiable for accounts with less than \$2,500,000 in assets under management. The current fee schedule is broken down as follows:

<u>Portfolio Value</u>	<u>Annual Fee</u>
\$1,000,000 - 1,499,999	1.0%
\$1,500,000 - 1,999,999	0.9%
\$2,000,000 - 2,499,999	0.8%
\$2,500,000 - or greater	Negotiable

* Accounts under \$1,000,000 and greater than \$750,000 are charged 1.2%, under \$750,000 yet greater than or equal to \$500,000 are charged 1.5%, and accounts under \$500,000 are accepted on a case by case basis with an annual fee of 2%.

The Investment Advisory Agreement may be canceled at any time, by either party, with written notice. Fees are billed every three months in advance. If a client elects to margin their account(s), billing will be based on gross assets managed including any debt. In the event the investment advisory agreement is terminated, a pro-rated refund of unearned fees paid will be sent to the client upon written request. Fees for guaranteed accounts and cash management type services are negotiable, and generally one-tenth those of the above schedule.

ABL, Inc. will either invoice the client directly for management fees or payment will be made by the qualified custodian holding the client's funds and securities provided the client provides written authorization permitting the fees to be paid directly from their account. ABL, Inc. will not have access to client funds for payment of fees without the clients consent in writing. Further, the qualified custodian agrees to deliver a quarterly account statement directly to the client showing all disbursements from the account. The client is encouraged to review their account statements for accuracy. ABL, Inc. will receive a duplicate copy of the statement that was delivered to the client. **(See Item 15).**

SOUND Investing Services

"SOUND Investing" is a service offered by ABL, Inc., for investors seeking personalized investment advice on no-load, low cost mutual funds, ETF's, as well as various other investment vehicles, including individual securities when applicable. This service can be utilized in conjunction with our advisory managed accounts or separately for those investors that do not meet the \$500,000 minimum for our money management services or would rather have an asset allocation program of mutual funds, Exchange Traded Funds and CDs.

As part of ABL, Inc.'s SOUND Investing services, clients receive personalized portfolio analysis along with proprietary, discretionary asset allocation to match each client's specific goals and objectives.

SOUND Investing comes with a pro rata money back guarantee of ABL, Inc.'s quarterly fee at any time upon written request. In such case, the client will receive a pro rata refund of unearned SOUND Investing fees. SOUND Investing participants with assets between \$500,000-\$2,000,000 are assessed an annual percentage fee of 0.50%, billed quarterly in advance, based on total assets. The annual fee for accounts over \$2M is negotiable. Accounts under \$500,000 are billed at 0.65% annually with a \$250 minimum per quarter. A onetime \$200 initiation fee may also be charged for SOUND Investing accounts. Clients seeking access to severely discounted stock transactions along with our guidance are charged \$250 per quarter for 1-2 accounts and \$500 per quarter for up to 5 accounts (negotiable thereafter). Other potential services that are available through SOUND Investing for an additional fixed fee include a consolidated brokerage statement for numerous related accounts (i.e., IRA, personal, Joint, Trust, etc.), no-load fund purchases, no fee IRA and low-cost retirement plan establishment.

Retirement Plan Consultation Services

As part of the consulting services that ABL, Inc. provides under the SOUND Investing program, ABL, Inc. may provide pension-consulting services to employee benefit plans and their fiduciaries based upon an analysis of the needs of the plan. In general, these services may include an existing plan review, asset allocation advice, money management services, communication, and education services where ABL, Inc. will assist the plan sponsor in providing meaningful information regarding the retirement plan to its participants, investment performance monitoring, and/or ongoing consulting.

Upon request, ABL, Inc. will hold educational meetings for the plan employees and provide information on the plan specifics and allocation choices. ABL, Inc. offers financial education and investment management guidance in the form of personal consultations through its SOUND Investing services. ABL, Inc. will also meet with plan participants individually or via educational webinars and offer personalized information based on their individual objectives. Much of this work is done as an independent consultant at the rate of \$275 an hour for work done by Alan Lancz, \$115 an hour for work done by our Research Associates, and administration/data entry at \$58 an hour.

Financial Planning Services

ABL, Inc. prepares individual financial plans and/or reports for clients. The report is based upon the information and assumptions provided by the client. This report provides broad and general guidelines on the advantages of certain financial planning concepts and does not constitute a recommendation of any particular technique and does not recommend the purchase or sale of specific securities. Nor does the plan or report provide legal, accounting, financial, tax or other advice. Rather, the report and any illustrations therein provide a summary of certain potential financial strategies. The term “plan” or “planning” when used within a report does not imply that a recommendation has been made to implement one or more financial plans or make a particular investment. One should consult their tax and/or legal advisors before implementing any transactions and/or strategies concerning their finances. The plans and/or reports may be comprehensive or focused on certain specific goals. The preparation of a financial plan is a one-time service with a \$500 cost for Retirement Income Planning or \$2400 for a full Comprehensive Financial Plan and does not involve an ongoing relationship between the firm and a client. A Comprehensive Plan includes up to 16 hours of total effort working on Financial Position, Insurance Analysis, Tax Management, Investment Analysis and Planning, Estate Planning or any combination thereof. After the plan is complete and delivered to the client, the client’s investment advisory relationship with the firm ends. The firm will not automatically monitor or update the plan. Any plan updates will be a separate and distinct service and will involve a separate advisory relationship subject to a separate agreement between the client and the firm.

After receiving a financial plan, a client may decide to implement the plan. Implementing a financial plan involves purchasing products and/or services, separate and apart from the financial plan itself. Clients may implement the plan through ABL, Inc. or any unaffiliated financial institution of their choice. Since the

financial planning relationship terminates upon completion and delivery of the financial plan to the client, any implementation of the plan with the firm or an affiliate is achieved through a separate relationship with the client. The nature and extent of the separate relationship will depend on the nature of the services and/or products the client selects and will be clearly specified in the documents provided to the client. The firm and/or an affiliate will be compensated as part of that relationship either by a fee on assets under management, a flat fee or on an hourly basis.

While clients are under no obligation to purchase any additional services or products through ABL Inc. or an affiliate, if clients do purchase products or services from the firm or an affiliate, this may result in the payment of additional compensation to the firm and/or its affiliates. Such compensation might take the form of commissions and other payment streams tied to the sale of securities or insurance products, or it might take the form of investment advisory fees. As a result of such additional compensation being paid for the sale of products or services to implement the financial plan, a conflict of interest may arise.

Consulting Services-Corporate

ABL, Inc. offers consulting services for businesses focused on particular issues such as business strategy, financial modeling, business continuation, business exiting strategies, qualified retirement plans, non-qualified deferred compensation, and executive/key person compensation. Compensation will be disclosed to businesses in writing and could range from hourly fees to granting of advisor shares, warrants, options, or any combination thereof. After receiving the consulting service, the client may decide to implement the recommendations resulting from the consulting service. In this case, similar conflicts as outlined under financial planning above apply. Investment, financial and retirement planning to principals, officers, executives, and other employees are available on a flat fee or hourly basis.

Written Publications

Sound Investing Basics is a quarterly proprietary publication directed to mutual fund investors and retirement plan participants offering investment insights, strategies, and analysis on an educational/informational basis. ABL, Inc. Research Reports are proprietary, detailed analysis and insights on specific companies that the firm follows. Subscriptions and memberships are available through LanczGlobal LLC ranging from \$295 annually to \$10,000 a quarter for

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corporate and institutional clients. LanczGlobal LLC is an affiliated entity of Alan B. Lancz & Associates, Inc., but whose services are separate and apart from ABL, Inc. and not a registered investment advisor. Please see Item 10 of this Brochure for important disclosures regarding LanczGlobal LLC.

General Information of Advisory Services and Fees

ABL, Inc. is compensated only via the fee, or subscription income as described above, unless clients choose to purchase products that pay commissions, which would be at the request of the client.

Any service fees paid to Alan B. Lancz & Associates, Inc. are separate from the fees and expenses charged to shareholders of mutual fund shares by these funds or modest transaction charges (usually on funds with very low annual expenses). A complete explanation of these expenses is available upon request and the expenses charged by the mutual funds are contained in each mutual fund's prospectus.

ABL, Inc.'s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. As noted above, mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. These charges, fees and commissions are exclusive of and in addition to ABL, Inc.'s fee, and ABL, Inc. shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that ABL, Inc. considers in selecting or recommending custodians and/or broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Additional Compensation

While ABL, Inc. does not sell such securities products to its investment advisory clients, Alan B. Lancz, President and sole shareholder of ABL, Inc., in his individual capacity as a registered representative of Crescent Securities, a FINRA-registered broker-dealer, may sell securities products to ABL, Inc. clients. In the event a client desires, the client can engage Mr. Lancz (but not the ABL, Inc. itself) to provide securities brokerage services under a commission

arrangement. Under this arrangement, the client may implement securities transactions through these related persons in Mr. Lancz's respective capacity as registered representatives of Crescent Securities. Brokerage commissions may be charged by Crescent Securities to effect these securities transactions and thereafter, a portion of these commissions may be paid by Crescent Securities to Mr. Lancz. Prior to effecting any transactions, a client will be required to enter into a new account agreement with Crescent Securities. The brokerage commissions charged by Crescent Securities may be higher or lower than those charged by other broker dealers.

While Mr. Lancz endeavors at all times to put the interest of the clients first as part of ABL, Inc.'s fiduciary duty, clients should be aware that a conflict of interest exists to the extent that ABL, Inc. or Mr. Lancz recommends the purchase of securities where such individuals receive commissions or other additional compensation as a result of such recommendations. This is because the receipt of commissions could represent an incentive for Mr. Lancz to recommend products based on the compensation received, rather than on a client's needs. However, if a client decides to purchase the recommended investment product(s), the client is not required to purchase it through Mr. Lancz and always has the option to purchase the investment product(s) through any broker, dealer or insurance agent of their choice.

Item 6 - Performance-Based Fees and Side-By-Side Management

ABL, Inc. does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). Any investments outside ABL, Inc. may have performance fees, which would be fully disclosed in writing to every such investor.

Item 7 - Types of Clients

Alan B. Lancz and Associates, Inc. provides portfolio management services to high net worth individuals, corporate pension and profit-sharing plans, investment companies, charitable institutions, foundations, endowments, retirement plan participants, family offices and numerous trust accounts.

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

A. Methods of Analysis and Investment Strategies

Analysis of both individual securities and general market conditions are primarily done on a fundamental basis. Recommendations and forecasts are based on our assessment of current fiscal and monetary policy, investment fundamentals, along with the psychological aspect of each investment (business philosophy,

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strategy, attitude, record of accomplishment and background of top management, for example) which can be as much of a factor as fundamental aspects.

Evaluation of a client's current investments is made to be certain that the fundamental features match the client's objective. Due primarily to the fact that each account is individually managed, Alan B. Lancz & Associates, Inc. may give advice and/or take action for some clients that may differ from advice given, or the timing or nature of action taken for others. Performance may vary dependent on a variety of factors, such as services utilized, brokerage firm selection and restrictions placed by clients on accounts, size of the account, plus numerous other factors since all accounts are managed in accordance to client's specific goals, objectives, and risk profile.

Investment Strategies

ABL, Inc. will use all or some of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons, among other considerations:

Long-Term Purchases

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Short-Term Purchases

Securities are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Trading

Securities are purchased with the expectation that they will be sold within a very short period of time, generally less than 30 days, in an effort to capture significant market gains and avoid significant market losses during a volatile market.

Option Writing

An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. An investment strategy utilizing option writing involves selling (writing) an option. When an investor sells (writes) an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller receives from the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

Sources of Information

In conducting its security analysis, ABL, Inc. may utilize the following sources of information: financial newspapers and magazines, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the U.S. Securities and Exchange Commission, data services, and company press releases.

Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset

allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.

- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.
- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.
- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing an investment manager from selling out of such illiquid securities at an advantageous price. Derivatives

and securities involving substantial market and credit risk also tend to involve greater liquidity risk.

- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *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.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.
- *Infrastructure Risks.* Infrastructure-related investments are subject to a number of unique risks. These investments may be concentrated into a small number of projects, resulting in a high degree of risk with respect to each project. Further, these investments are often subject to foreign and emerging market risks.
- *Socially Responsible Investing.* Investments may focus on "low carbon" or other areas of socially responsible investing. This investment category represents a relatively new area of investment with a relatively limited performance track record. Due to the consideration of non-monetary factors in investment decisions, these investments may experience a lower rate of return. There may be a relatively limited number of investments to consider in this investment category, and available investments may be subject to increased competition.

- *Large Investment Risks.* Clients may collectively account for a large portion of the assets in certain investments. A decision by many investors to buy or sell some or all of a particular investment where clients hold a significant portion of that investment may negatively impact the value of that the investment.
- *Limitations of Disclosure.* The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in investing in investments. As investment strategies develop and change over time, clients may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

B. Risks Associated with Investment Strategies and Methods of Analysis

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment.

ABL, Inc.'s securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While ABL, Inc. is alert to indications that data may be incorrect, there is always the risk that the firm's analysis may be compromised by inaccurate or misleading information.

Fundamental Analysis

Fundamental analysis, when used in isolation, has a number of risks:

- Information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- The data used may be out of date.
- It ignores the influence of random events such as oil spills, product defects being exposed, acts of God and so on.
- It assumes that there is no monopolistic power over markets.
- The market may fail to reach expectations of perceived value.

C. Risks Associated with Specific Securities Utilized

Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (i.e., increase the value of the company's stock price).

Preferred Stocks

Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time. Preferred stock may also be subject to mandatory redemption provisions and an issuer may repurchase these securities at prices that are below the price at which they were purchased by the investor. Under these circumstances, a client account holding such preferred securities could lose money.

Convertible Stocks

The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value."

The investment value of a convertible security is influenced by changes in interest rates, the credit standing of the issuer and other factors. The conversion value of a convertible security is determined by the market price of the underlying common stock. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. A convertible security will generally be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible is called for redemption, a client will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on a client's ability to achieve their investment objective.

Warrants and Rights

Warrants are securities, typically issued with preferred stocks or bonds, that give the holder the right to purchase a given number of shares of common stock as a specified price and time. The price of a warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's

issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (*e.g.*, corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk.* Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

High-Yield Securities

High-yield corporate debt securities with credit rating below investment grade (commonly referred to as “junk bonds”) may be subject to potentially higher risks of default and volatility than other debt securities, including risks that the issuer may not be able to meet its obligations to repay principal or interest. These types of debt securities are more susceptible to credit risk than investment grade securities and are considered to be more speculative in nature than higher-quality

fixed-income securities. In addition, issuers of high-yield securities may not be as strong financially as those issuing debt securities with higher credit ratings.

Municipal Bonds

In addition to the risks set forth under “Fixed-Income Securities” above, municipal bonds are susceptible to events in the municipality that issued the bond or the security posted for the bond. These events may include economic or political policy changes, changes in law, tax base erosion, state constitutional limits on tax increases, budget deficits or other financial difficulties and changes in the credit rating assigned to municipal issues.

Commercial Paper and Certificates of Deposit

Commercial Paper and Certificates of Deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity, there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

Federal Agency Securities

Although the issuer may be chartered or sponsored by an Act of Congress, the issuer is not funded by Congressional appropriations and its debt and equity securities are neither guaranteed nor insured by the U.S. Government. Without a more explicit commitment, there can be no assurance that the U.S. Government will provide financial support to such issuers or their securities.

Exchange Traded Funds (ETFs)

An ETF holds a portfolio of securities designed to track a particular market segment or index. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated

investment mandate or strategy of the ETF which could make the holdings less suitable for a client's portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are assets classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF's portfolio, may be considered "non-qualified" under certain tax code provisions.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Mutual Funds - Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries. In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

Mutual Funds - Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also have the same risks as set forth under "Fixed-Income Securities" listed above.

Mutual Funds - Index Funds

Index Funds have the potential to be affected by “tracking error risk” which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a “sample index” that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund’s portfolio, may be considered “non-qualified” under certain tax code provisions.

Options

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index. For example, the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well.

Real Estate Related Securities

Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the rate of inflation, possible lack of availability of mortgage funds, overbuilding, extending vacancies of properties, increases in competition, property taxes and operating expenses, changes in zoning laws, costs resulting from clean up of, and liability to third-parties for damages resulting from, environmental problems, casualty and condemnation losses, uninsured damages from floods, earthquakes or other natural disasters, limitations on and variations in rents and changes in interest rates. Investing in Real Estate Investment Trusts (“REITs”) involves certain unique risks in addition to those risks associated with investing in real estate in general. REITs are dependent upon the skills of management, are not diversified and are subject to cash flow dependency, default by borrowers and self-liquidation.

Alternative Investments

The performance of alternative investments (e.g., commodities, futures, hedge funds; funds of hedge funds, private equity or other types of limited partnerships) can be volatile. Alternative investments generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the offering documents of each specific alternative investment. Due to the speculative nature of alternative investments a client must satisfy certain income or net worth standards prior to investing.

Private Equity and Private Equity Funds

Private Equity Funds may be affected by various forms of risk, including:

- *Long-term Investment.* Unlike mutual funds, which generally invest in publicly traded securities that are relatively liquid, private equity funds generally invest in large amounts of illiquid securities from private companies. Depending on the strategy used, private real estate funds will have illiquid underlying investments that may not be easily sold, and investors may have to wait for improvements or development before any redemption. Given the illiquid nature of the underlying purchases made by private equity and private real estate managers, private equity and private real estate funds are considered long-term investments. Private equity funds are generally set up as 10- to 15-year investments with little or no provision for investor redemptions. Private real estate funds are generally seven- to ten-year investments and also have limited provisions for redemptions. With long-term investments, clients should consider their financial ability to bear large fluctuations in value and hold these investments over a number of years.
- *Difficult Valuation Assessment.* The portfolio holdings in private equity and private real estate funds may be difficult to value, because they are not usually quoted or traded on any financial market or exchange. As such, no easily available market prices for most of a fund's holdings are available. Additionally, it may be hard to quantify the impact a manager has had on underlying investments until those investments are sold.
- *Lack of Liquidity.* Private equity and private real estate funds are not "liquid" (they can't be sold or exchanged for cash quickly or easily), and the interests are typically non-transferable without the consent of a fund's managing member. As a result, private equity and private real estate funds are generally only suitable for sophisticated investors who have carefully considered their financial capability to hold these investments for the long term.
- *Capital Call Default Consequences.* Answering capital calls to provide managers with the pledged capital is a contractual obligation of each investor. Failure to meet this requirement in a timely manner could elicit significant adverse consequences, including, without limitation, the forfeiture of the defaulting investor's interest in the fund.

- *Leverage.* Private equity and private real estate funds may use leverage in connection with certain investments or participate in investments with highly leveraged capital structures. Although the use of leverage may enhance returns and increase the number of investments that can be made, leverage also involves a high degree of financial risk and may increase the exposure of such investments to factors such as rising interest rates, downturns in the economy or deterioration in the condition of the assets underlying such investments.
- *Lack of Transparency.* Private equity and private real estate funds are not required to provide investors with information about their underlying holdings or provide periodic pricing and valuation information. Therefore, investors are often putting their complete trust in the managers' abilities to meet their funds' objectives, without the benefit of knowing their investment selections. This lack of information may make it more difficult for investors to evaluate the risks associated with the funds.
- *Manager Risk.* Private equity and private real estate fund managers have total investment authority over their funds, and the managers' skill is normally responsible for the investment returns. Therefore, if the founder or key person departs, the returns of the fund may be impacted. Investors have no control or influence in the management of the fund, although they will receive periodic reports from the fund manager. Also, investment in one fund that uses a generally similar investment strategy as another fund could lessen overall diversification, and consequently, increase investment risk.
- *Regulation.* Private equity and private real estate funds are subject to fewer regulatory requirements than mutual funds and other registered investment company products and thus may offer fewer legal protections than an investor would have if they invested in more traditional investments.

Note that there may be other circumstances not described here that could adversely affect a client's investment and prevent their portfolio from reaching its objective.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Alan B. Lancz and Associates, Inc or the integrity of ABL, Inc.'s management. Alan B. Lancz and Associates, Inc. has no legal or disciplinary events at this time.

Item 10 - Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration and Registered Representatives

Alan B. Lancz and Associates, Inc.

ABL, Inc. is not registered, nor does it have an application pending to register, as a broker-dealer.

Alan B. Lancz, President and sole shareholder of ABL, Inc., is also a registered representative of Crescent Securities, a FINRA-registered broker-dealer. As a registered representative of Crescent Securities, Mr. Lancz is permitted to receive commissions on securities transactions.

To the extent that clients wish Mr. Lancz to implement any recommendations made by ABL, Inc., the purchase or sale of any securities in conjunction with the implementation of such recommendations is made through Crescent Securities. Clients are free, however, to implement ABL, Inc.'s recommendations through any broker-dealer that they choose. The receipt of commissions for recommended products could represent an incentive for these individuals to recommend products that pay a commission over other products, therefore creating a conflict of interest. Additionally, if a client implements the recommendation through these individuals, the client may be limited to those products or services available through Crescent Securities.

Commissions earned may be higher or lower at Crescent Securities than other broker-dealers. Notwithstanding the fact that Mr. Lancz is a registered representative of Crescent Securities, Mr. Lancz is solely responsible for the investment advice rendered. ABL, Inc.'s advisory services are provided separately and independently of Crescent Securities.

B. Futures and Commodity Registration

ABL, Inc. is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

C. Financial Industry Affiliations

Certain investment adviser representatives affiliated with ABL, Inc. are also licensed insurance agents that may receive additional compensation in the form of commissions on the sale of insurance related products. Clients are free, however, to implement ABL, Inc.'s recommendations through any insurance agent that they choose. The receipt of commissions for recommended products could represent an incentive for these individuals to recommend insurance products that pay a commission over other products, therefore creating a conflict of interest.

Alan B. Lancz and Associates, Inc.

Alan B. Lancz, President and sole shareholder of ABL, Inc., is also the President, Director of Research and sole owner of LanczGlobal, LLC ("LanczGlobal"), an independent research firm that provides proprietary investment research to investment managers, institutions, hedge funds, family offices and individual investors. ABL, Inc. clients may have securities that are the subject of LanczGlobal research reports recommended to them. In addition, Mr. Lancz, clients of ABL and ABL employees may hold such securities in their individual portfolios.

Item 11 - Code of Ethics

ABL, Inc. has adopted a Code of Conduct/Ethics for all employees of the firm, describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Conduct/Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All employees at ABL, Inc. must acknowledge the terms of the Code of Ethics annually, or as amended.

The Firm or individuals associated with ABL, Inc. may buy or sell, for their personal account(s), investment products identical to those recommended to clients. Anytime when purchases or sales of securities are made for ABL, Inc., or individuals associated with the company, in conjunction with the client's purchases or sales, the client will always receive the preferential price, if there is one. In addition to preferential prices, client transactions will always be given preference with regard to timing of order placement, if applicable.

ABL, Inc. has also established policies and procedures to detect and prevent insider trading and money laundering. Such procedures and policies includes restricting access to files, providing continuing education, internal due diligence, restricting and/or monitoring trading on those securities of which ABL, Inc., associates and employees may have non-public information and monitoring the securities trading of the firm, its employees, and associated persons. In addition, Alan B. Lancz & Associates Inc. has established a Disaster Recovery and Contingency Plan in accordance with Securities Exchange (SEC) Rule 204. This plan, along with Alan B. Lancz & Associates Inc.'s policies and procedures, are presented to each associate/employee upon employment and reviewed annually thereafter.

Additionally, it is fully disclosed on the front page of each publication received by subscribers that ABL, Inc., or individuals associated with the company, may have positions in securities or commodities mentioned in the newsletter. As

these situations, may represent a conflict of interest, ABL, Inc. has established the following restrictions in order to ensure its fiduciary responsibilities:

- The firm emphasizes the unrestricted right of the client to specify investment objectives, guidelines, and/or conditions of the overall management of their account.
- Associated persons or their immediate family members shall not buy or sell securities for their personal portfolio(s) where their decision is derived in whole or in part, by reason of the associated person's employment, unless the information is also available to the investing public on reasonable inquiry.
- No associated person of the Firm shall prefer his or her own interest to that of the advisory client. Whenever purchases or sales of securities are made for ABL, Inc., or individuals associated with the company, in conjunction with the client's purchases or sales, then the client will always receive the preferential price, if there is one.
- The Firm and its employees may not participate in private placements or initial public offerings (IPO's) without pre-clearance from ABL, Inc.'s Compliance Officer.
- Records will be maintained of all securities bought or sold by ABL, Inc., associated persons of the Firm, and related entities. A qualified representative of ABL, Inc. will review these records on a regular basis.
- Any employee, who does not comply with the above restrictions, will be placed on probation and be subject to termination of employment.

A copy of the Firm's Code of Conduct/Ethics is available to you upon request.

Item 12 - Brokerage Practices

ABL, Inc. will recommend firms that provide brokerage and custodial services to its clients in need of such services. 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. Clients may utilize the broker/dealer of their choice. They have no obligation to purchase or sell securities through any broker that the Firm recommends.

In placing orders for the purchase and sale of securities and selecting brokerage firms to effect these transactions, ABL, Inc. considers a number of factors including the nature of security being traded, execution, clearance, settlement and custodial capabilities, the financial strength and stability of the broker, the efficiency with which the transactions are effected, the ability to affect the transactions at all where a large block is involved, as well as the availability of the broker to stand ready to execute possible difficult transactions in the future and willingness to negotiate competitive commission rates.

Alan B. Lancz and Associates, Inc.

On a very selective basis, clients may choose a brokerage firm or specific broker for a managed account. It should be noted that when a client directs the use of a broker for an account, then ABL, Inc. may not be able to negotiate as competitive of a commission rate, participate in block trades, or average price trades, thus possibly negatively affecting net prices compared to ABL, Inc.'s other accounts. Any of these three areas could result in higher commissions from a client's chosen broker, than what ABL, Inc. clients would generally pay. If we do trade through other brokers or purchase certain mutual funds through them, clients may see additional charges or costs to their account. ABL, Inc. does not benefit from these charges. All other accounts will utilize very competitive (or zero) commission rates even though the absolute lowest rate possible may not be used due to a number of other factors in determining net cost/benefit. Those factors include no or low cost custodial, administration and retirement plan services, as well as other services, in addition to the above mentioned best execution criteria. ABL, Inc. does not participate in any 'soft dollar' arrangements in which we guarantee order flow to brokers in return for research or other benefits.

ABL, Inc.'s policy and procedures provide for the following procedures should a trading error occur: First, ABL, Inc. is responsible for correcting the error as soon as possible which may include moving the trade to an error account held by ABL, Inc. Secondly, ABL, Inc. bears all cost (if any) of correcting the error and risk in holding the position should the firm decide to do so. Accordingly, if the error results in a gain, then such gain would be part of the ABL, Inc. error account, as would any loss and every losing position in error. No client account will be responsible for losses from any trade errors made by ABL, Inc.

Item 13 - Review of Accounts

Upon initiation of each account, the client discloses their specific goals and objectives and elects which investment direction best suits these objectives. These objectives can be changed at the client's discretion by written notice to Alan B. Lancz & Associates, Inc. It should be noted that all investment decisions are made in accordance with the guidelines and restrictions established for each account. The accounts are continuously monitored to make sure the guidelines and restrictions are followed. In addition to the custodian's brokerage firm regular brokerage statements, Alan B. Lancz & Associates, Inc. will furnish monthly Portfolio Progress Reports upon request for accounts of \$5M and more. Otherwise, quarterly portfolio progress reports are furnished on a timely basis. These summary reports include a transaction journal and a listing of current holdings. Customized reports may be provided based upon each client's specific needs and preferences. Clients under SOUND Investing (generally no load mutual funds, ETFs, etc.) will also be provided progress reports upon request.

Item 14 - Client Referrals and Other Compensation

Alan B. Lancz and Associates, Inc. does not accept nor disseminate any economic benefits to or from clients or non-clients for any client referrals.

ABL, Inc. is compensated only via the fee, as described in Item 5 above in regard to its registered advisory services.

Item 15 - Custody

Clients will receive at least quarterly statements from the qualified custodian that holds and maintains the client's investment assets. ABL, Inc. urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may occasionally vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. **(See Item 5).**

Item 16 - Investment Discretion

Although clients give ABL, Inc. complete discretion over the selection and amount of securities to be purchased or sold for their account without obtaining their prior consent or approval, ABL, Inc. may be subject to specified restrictions, guidelines, and/or conditions imposed by the client. For example, a client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of their portfolio, or place restrictions or prohibitions of transactions in the securities of a specific industry, and/or directed brokerage. Investment guidelines and restrictions must be provided to ABL, Inc. in writing. ABL, Inc. does not take custody of money or securities in advisory accounts.

Item 17 - Voting Client Securities

ABL, Inc. will not vote proxies on behalf of client's accounts. However, on rare occasions and only at the client's request, ABL, Inc. may offer clients advice regarding corporate actions and the exercise of proxy voting rights.

Item 18 - Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about ABL, Inc.'s financial condition. Alan B. Lancz and Associates, Inc. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.