

# Lakewood Asset Management, LLC

## Part 2A of Form ADV: Firm Brochure

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[www.lakewoodasset.com](http://www.lakewoodasset.com)

December 31, 2023

This brochure provides information about the qualifications and business practices of Lakewood Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 543-1772 or by email at: [toddwick@lakewoodasset.com](mailto:toddwick@lakewoodasset.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. Lakewood Asset Management, LLC is a Registered Investment Adviser. Registration as an Investment Adviser with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Lakewood Asset Management, LLC is available on the SEC's website at SEC Adviser Info. You can search this site by a unique identifying number, known as an IARD number. The IARD number for Lakewood is 174887.

### Summary of Material Changes

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The following are a list of changes since our last ADV dated December 31, 2022:

As noted on cover page, Michael Lannan has closed his La Grange, Illinois office and will be working from his home office going forward. Michael has also canceled his landline; his only work number is 708-351-1058. Michael’s mailing address is PO Box 469, Willow Springs IL 60480.

Item 4 – Assets Under Management has been updated.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer Todd Mick at (312) 543-1772 or [toddmick@lakewoodasset.com](mailto:toddmick@lakewoodasset.com)

We encourage you to read this document in its entirety.

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## ITEM 4 – ADVISORY BUSINESS

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This Disclosure document is being offered to you by Lakewood Asset Management, LLC (“Lakewood”, “We” or “Firm”) about the investment advisory services we provide. It discloses information about our services and the way those services are made available to you, the client.

We are an investment management firm headquartered in Naperville, Illinois. We specialize in investment advisory services for high net worth individuals. Our Firm became a registered investment adviser in April 2015. Lakewood Asset Management, LLC is a limited liability company formed in Illinois and is owned by, Brooks Call, Michael Lannan and Todd Mick.

We are committed to helping clients build, manage, and preserve their wealth, and to provide assistance that helps clients achieve their stated financial goals. We will offer an initial complimentary meeting upon our discretion; however, investment advisory services are initiated only after you and Lakewood execute an Investment Management Agreement.

### Investment and Wealth Management and Supervision Services

We manage advisory accounts on either a discretionary or non-discretionary basis. For discretionary accounts, once we have determined a profile and investment plan with a client, we will execute the day to day transactions without seeking prior client consent. Account supervision is guided by the profile and investment plan of the client. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate client assets among various mutual funds, exchange traded funds, equities, bonds and other securities in accordance with their investment objectives.

During personal discussions with clients, we determine the client’s objectives, time horizons, risk tolerance and liquidity needs. Based on client needs, we develop a client’s customized investment plan. We then manage the client’s investments based on that plan.

It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals.

Once the investment plan has been executed, we will provide ongoing investment review and management services.

With our discretionary relationship, we will make changes to the portfolio, as we deem appropriate, to meet your financial objectives. We manage these portfolios based on the combination of your objectives and our market views, using our investment process. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will

have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

We do have limited authority to direct the Custodian to deduct our investment advisory fees from your accounts, but only with the appropriate written authorization from you.

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account's performance. This could result in a capital loss in your account.

#### Wrap Fee Program

We do not place client assets into a wrap fee program.

#### Assets

As of December 31st, 2023, we have a total of \$191,235,229 assets under management on a discretionary basis, and \$17,192,221 on a non-discretionary basis. We have \$9,366,437 assets under advisement.

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### ITEM 5 - FEES AND COMPENSATION

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#### Investment Management Fees and Compensation

Our Firm charges a fee as compensation for providing Investment Management services. These services include advisory services, trade entry, investment supervision, and other account-maintenance activities. Our custodian may charge transaction costs, custodial fees, redemption fees, retirement plan and administrative fees and/or commissions. The client will pay these fees. See Additional Fees and Expenses below for additional details.

The fees for investment management are based on an annual percentage of assets under management and are applied to the household asset value on a pro-rata basis and billed quarterly in arrears. The quarterly fee will be calculated on the average daily balance for the quarter. If we are unable to determine the average daily balance, the quarterly fee will be calculated on the quarter end market value of the account. The market value will be determined as reported by the Custodian. Fees are typically assessed on all assets under management, including securities, cash and money market balances. Margin account balances are not included in the fee billing.

Our maximum investment advisory fee is 1.50% or we may negotiate a lower advisory fee. The specific advisory fees are set forth in your Investment Management Agreement. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. Our employees and their family related accounts may be charged a reduced fee for our services.

Unless otherwise instructed by the Client, we will aggregate related client accounts for the purposes of determining the account size and annualized fee. The common practice is often referred to as “house-holding” portfolios for fee purposes and may result in lower fees than if fees were calculated on portfolios separately. Our method of house-holding accounts for fee purposes considers the overall family relationship.

The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement to you on a monthly basis indicating all the amounts deducted from the account including our advisory fees.

If a client prefers to be billed directly, rather than have fees deducted from their account, Lakewood may accommodate their preference. If such an agreement occurs, fees are due by the 7th business day of each new calendar quarter.

Either Lakewood or you may terminate the management agreement immediately upon written notice to the other party. The management fee will be pro-rated to the date of termination, for the month in which the cancellation notice was given and the fee will be billed to your account. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client’s death or disability, Lakewood will continue management of the account until we are notified of client’s death or disability and given alternative instructions by an authorized party.

#### Administrative Services Provided by a Third Party

We have contracted with third parties to utilize their technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, payable reports, web site administration, trading platforms, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, our third-party vendors will have access to client accounts, but the third-party will not serve as an investment advisor to our clients. Lakewood and the third-party vendors are non-affiliated companies. Our Firm may be charged an annual fee for each account administered by a third party. Please note that the fee charged to the client will not increase due to the annual fee Lakewood pays to a third party. The annual fee is paid from the portion of the management fee retained by Lakewood.

#### Additional Fees and Expenses:

In addition to the advisory fees paid to our Firm, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These

additional charges may include securities fees, transaction fees, custodial fees, fees charged by the Independent Managers, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. Lakewood' brokerage practices are described at length in **Item 12**, below. Neither our Firm nor its supervised persons accept compensation for the sale of securities or other investment products. Further, our firm does not share in any of these additional fees and expenses outlined above.

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#### ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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We do not charge performance based fees nor do we engage in side by side management.

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#### ITEM 7 - TYPES OF CLIENTS

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We provide investment advice to individuals, families, charitable organizations, trusts, estates, pension and profit sharing plans, and other entities. We have no minimum account value.

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#### ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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Lakewood specializes in the analysis and selection of publicly traded companies. Lakewood may also invest in the following types of securities: ETFs (exchange traded funds), closed end funds, mutual funds, ADRs (American Depository Receipts), REITs (real estate investment trusts), Warrants, MLP's (Master Limited Partnerships), individual fixed income securities and other over-the-counter (OTC) securities.

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

Lakewood uses a bottom-up fundamental approach in developing investment strategies.

Fundamental analysis involves the analysis of financial statements, industry dynamics, regulatory environment, relative value, and the effectiveness of company management's capital allocation.

#### **Investment Strategy:**

Lakewood employs a long-term value-oriented approach typically owning a particular security for multiple years. However, there may be situations where a security would be sold in a much shorter time after purchase if, for example, its value quickly rises above estimated value, the company is going to be acquired, or the portfolio manager realizes he made a mistake in judgment.

Lakewood searches for good companies that may be out of favor causing them to trade below their true value by the portfolios manager's own estimation. Valuation is of utmost importance. Companies can be of any size or from any domicile, characterized as growth or value, as long as they can be purchased at a reasonable valuation. The following are examples of preferred, though not required, characteristics: below average



price to earnings, price to sales, and/or price to book value; above average return on invested capital, free cash flow yield, profit margins, and earnings to enterprise value. Other situations that are considered but not necessarily emphasized arise from misunderstood capital structures, spin-offs, rights offerings, reorganizations, and merger related securities.

We consider multiple factors when evaluating any funds including: investment philosophy, strategy, discipline, tenure, risk adjusted performance, and expenses. The discount/premium to net asset value as well as leverage are also taken into consideration when analyzing closed end funds.

We prefer fund managers that regularly communicate with their shareholders in an open and honest manner. Performance chasing is something we avoid, and we don't penalize a manager for performance gaps if we believe the investment approach continues to make sense.

#### Risk of Loss

Clients must understand that past performance is not indicative of future results. Current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities always involves risk of loss. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Investors should be aware that accounts are subject to the following risks:

**Market Risk** — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money when your investments are liquidated.

**Foreign Securities and Currency Risk** — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, illiquidity and political instability.

**Capitalization Risk** — Performance of small and mid-cap companies may be negatively impacted due to their limited financial resources and less diverse products or services; their performance has historically been more volatile than larger, more established companies.

**Interest Rate Risk** — In a rising rate environment, the value of fixed-income securities typically declines, and the value of equity securities may also be adversely affected.

**Credit Risk** — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may negatively affect a security's value and, thus, impact the fund's performance.

**Securities Lending Risk** — Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences.

**Derivative Risk** — Derivatives are securities, such as futures or options contracts, whose value is derived from that of other securities or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Hedging with derivatives may increase expenses, and there is no guarantee that a hedging strategy will achieve the desired results.

**Exchange-Traded Funds** — ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."

**Performance of Underlying Managers** — We select the mutual funds and ETFs. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy. The funds may not perform as we expect.

**Equity Risk** — Equity prices can be volatile and unpredictable over short and longer periods of time. Unexpected external influences such as economic and political events can significantly impact equity prices. Certain equities may be illiquid and the sales price might be impacted if the holder has to sell before he or she intended. Investors holding common stock of any issuer are exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.

**Company Risk** — There is always a level of company or industry risk when investing in stock positions. There is the risk that a company will perform poorly or that its value will be reduced based on factors specific to it or its industry.

**Fixed Income Risk** — Fixed income security prices can be volatile and unpredictable over various periods of time. Unexpected external influences such as economic and political events can significantly impact fixed income prices. Certain fixed income securities may be illiquid and the sales price might be impacted if the holder has to sell before he or she intended. Rating changes may impact fixed income security prices. The actual or perceived financial health of the issuer will impact fixed income security prices.

**Management Risk** – Investments also vary with the success and failure of our investment strategies, research, analysis and selection of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

**Tax Harvesting Risk** – One trading strategy that may be employed in certain client accounts is tax loss harvesting. There are many ways to achieve this all of which may be impacted by short term price fluctuations that could disadvantage the client. This strategy will result in additional transaction costs.

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#### ITEM 9 - DISCIPLINARY INFORMATION

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We do not have any legal, financial or other “disciplinary” item to report.

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#### ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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##### Insurance

IARs of Lakewood may act as agents appointed with various life, disability or other insurance companies, and receive commissions, trails, or other compensation from the respective product sponsors and/or as a result of effecting insurance transactions for clients. However, clients should note that they are under no obligation to purchase any insurance products through Lakewood.

Clients should be aware that the ability to receive additional compensation by Lakewood and its management persons or employees creates conflicts of interest that impair the objectivity of the Firm and these individuals when making advisory recommendations. Lakewood must at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps, among others to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for the Firm and our employees to earn compensation from advisory clients in addition to the Firm's advisory fees;
- we disclose to clients that they have the right to decide to purchase recommended investment products from our employees or Related Companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client’s financial goals, objectives and risk tolerance;
- the Firm conducts regular reviews of each client advisory account to verify that all recommendations made to a client are in the best interest of the client’s needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by the Firm; and

- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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**ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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Our Firm and persons associated with us are allowed to invest for their own accounts or to have a financial investment in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information.

The Code of Ethics is designed to protect our clients, detect and deter misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of Lakewood, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether personnel are complying with the firm's ethical principles.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

1. A director, officer or employee of Lakewood shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No supervised employee of Lakewood shall prefer his or her own interest to that of the advisory client.
2. We maintain a record of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of Lakewood.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.

4. We require that all supervised employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any supervised employee not in observance of the above may be subject to termination.

#### Investment Policy

None of our associated persons may affect for himself/herself or for accounts in which he/she holds a beneficial interest, any transactions in a security which is being actively recommended to any of our clients, unless in accordance with the Firm's procedures.

You may request a complete copy of our Code by contacting us at the address, telephone or email on the cover page of this Part 2; Attn: Chief Compliance Officer.

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### **ITEM 12 - BROKERAGE PRACTICES**

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We have a relationship with Charles Schwab Institutional. Charles Schwab Institutional is a division of Charles Schwab, Inc. member FINRA/SIPC. Charles Schwab Institutional is an independent SEC-registered broker-dealer. Charles Schwab offers services to independent investment advisors that include custody of securities, trade execution, clearance and settlement of transactions.

There is no direct link between our relationship with Charles Schwab and the investment advice we give to our clients, although we receive economic benefits from the relationship. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. The custodians may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at Charles Schwab. Other services made available by our custodians are intended to help us manage and further develop our business enterprise. The benefits received by Lakewood or our personnel through our relationship with Charles Schwab do not depend on the amount of brokerage transactions directed to the custodians. As part of our fiduciary duties to clients, we put the interests of our clients first. You should be aware, however, that the

receipt of economic benefits by Lakewood or our related persons creates a potential conflict of interest and may indirectly influence our choice of custodians for custody and brokerage services.

In the event you request us to recommend a broker/dealer custodian for execution and/or custodial services, we generally recommend your account to be maintained at Charles Schwab. We may recommend that you establish accounts with Charles Schwab to maintain custody of your assets and to effect trades for your accounts. You are under no obligation to act upon any recommendations, and if you elect to act upon any recommendations, you are under no obligation to place the transactions through any broker/dealer we recommend. Our recommendation is generally based on the broker's cost and fees, skills, reputation, dependability and compatibility with the client. You may be able to obtain lower commissions and fees from other brokers and the value of products, research and services given to us is not a factor in determining the selection of broker/dealer or the reasonableness of their commissions.

#### Brokerage for Client Referrals

Our Firm does not receive client referrals from any custodian or third party in exchange for using that broker-dealer or third party.

#### Aggregation and Allocation of Transactions

We may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client investment advisory agreement. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day.

If we do not receive a complete fill for an aggregated order, we will allocate the order on a pro-rata basis. If we determine that a pro-rata allocation is not appropriate under the particular circumstances, we will base the allocation on other relevant factors, which may include:

1. When only a small percentage of the order is executed, with respect to purchase allocations, allocations may be given to accounts high in cash;
2. With respect to sale allocations, allocations may be given to accounts low in cash;
3. We may allocate shares to the account with the smallest order, or to the smallest position, or to an account that is out of line with respect to security or sector weightings, relative to other portfolios with similar mandates;
4. We may allocate to one account when that account has limitations in its investment guidelines prohibiting it from purchasing other securities that we expect to produce similar investment results and that can be purchased by other accounts in the block;

5. If an account reaches an investment guideline limit and cannot participate in an allocation, we may reallocate shares to other accounts. For example, this may be due to unforeseen changes in an account's assets after an order is placed;
6. If a pro-rata allocation of a potential execution would result in a de Minimis allocation in one or more accounts, we may exclude the account(s) from the allocation.
7. We will document the reasons for any deviation from a pro-rata allocation.

#### Trade Errors

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and we will absorb any loss resulting from the trade error if the error was caused by the firm. If the error is caused by the Custodian, the Custodian will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

#### Directed Brokerage

We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

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### ITEM 13 - REVIEW OF ACCOUNTS

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#### Account Reviews and Reviewers – Investment Supervisory Services

Our Investment Adviser Representatives will monitor client accounts on a regular basis and offer to perform annual reviews with each client. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Geopolitical and macroeconomic specific events may also trigger reviews.

#### Statements and Reports

The custodian for the individual client's account will provide clients with an account statement at least quarterly. Communication to clients will be done on an as needed basis with a minimum of 1 contact per calendar year. You are urged to compare the reports provided by Lakewood against the account statements you receive directly from your account custodian.

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#### ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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Our firm neither accepts nor pays fees for referrals. As disclosed under Brokerage Practices, we participate in Charles Schwab’s institutional customer program and we may recommend one of these custodians to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent Investment Advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. The custodians may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available by our custodians through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained Charles Schwab. Other services made available by our custodians are intended to help us manage and further develop our business enterprise. The benefits received by Lakewood or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to the custodians. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by Lakewood or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of Charles Schwab for custody and brokerage services.

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#### ITEM 15 – CUSTODY

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We do not have physical custody, as it applies to investment advisors. Custody has been defined by regulators as having access or control over client funds and/or securities.

For most accounts, our firm has the authority to have fees deducted directly from client accounts. Our firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client’s name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian’s name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client’s independent representative, at least quarterly. You should carefully review those



statements and are urged to compare the statements against reports received from Lakewood. When you have questions about your account statements, you should contact Lakewood or the qualified custodian preparing the statement.

Please refer to **Item 5** for more information about the deduction of advisor fees.

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#### ITEM 16 – INVESTMENT DISCRETION

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For discretionary accounts, prior to engaging Lakewood to provide investment advisory services, you will enter a written Agreement with us granting the firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. In addition, you will need to execute additional documents required by the Custodian to authorize and enable Lakewood, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any investment company registered under the Investment Company Act of 1940 and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

The limitations on investment and brokerage discretion held by Lakewood for you are:

1. For discretionary accounts, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
2. Any limitations on this discretionary authority shall be detailed in writing as indicated on the investment advisory Agreement, Appendix B. You may change/amend these limitations as required.

Research products and services received by us from custodians will be used to provide services to all our clients.

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#### ITEM 17 – VOTING YOUR SECURITIES

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We will **not** vote proxies on your behalf. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Clients can contact our office with questions about a particular solicitation by phone at (312) 543-1772.

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## ITEM 18 – FINANCIAL INFORMATION

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We do not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.