



LAKE JERICO  
clear financial advice

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Date of Brochure: March 31, 2025

Lake Jericho, LLC is a Registered Investment Advisor (RIA). Registration as an Investment Advisor does not imply a certain level of skill or training, so RIA's are required to provide clients and prospective clients with Part 2 of Form ADV – the “brochure”. The intent of the brochure is to provide investors with information on advisor qualifications and business practices in a standardized, narrative format, that can be used in a decision to hire Lake Jericho, or continue a professional relationship with Lake Jericho. This Brochure is made available to meet this requirement, providing information about the qualifications and business practices of Lake Jericho, LLC.

If you have any questions about the contents of this Brochure, please contact Lake Jericho by calling (312) 307-3350, by writing to the address detailed above, or via electronic mail addressed to [info@lakejericho.com](mailto:info@lakejericho.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Lake Jericho also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

Since the last update, there are a number of material changes to Lake Jericho's ADV. We encourage you to read, again, the updated document in full.

In Item 5, we amend our fee schedule for all future relationships, and for all new account openings.

In Item 8, we clarify language around our strategy development practices.

In Item 13, we define our new portfolio monitoring and review process.

In Item 15, we clarify language regarding "custody" of client securities and funds.

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#### Item 4: Advisory Business

- A. Lake Jericho, LLC (Lake Jericho) is an independent, fee-only, Registered Investment Advisory (RIA) firm founded on October 30, 2014. Alvin F. Walker, Jr. is the Founder and Designated Principal.
- B. Lake Jericho adheres to the fiduciary standard, at all times, in the provision of financial research and education, benefit plan consulting, design, and implementation, discretionary investment management services, and financial planning assistance. Services are offered to individuals, households, family offices, foundations, endowments, the not-for-profit community, plan sponsors, and the business community.

Lake Jericho, necessarily as part of the financial services community, engages in a rigorous, detail oriented, comprehensive research and analysis process. This process generates critical information used for our internal decision making. Believing that an informed client base best serves all interests, Lake Jericho regularly shares with clients, and with consumers of financial information, the views and opinions derived from that research and analysis.

- i. Special Considerations Regarding Financial Planning: Lake Jericho believes that regardless of wealth, and independent of one's relationship with money, all people benefit from financial literacy and preparedness. Although discretionary investment management is the core our service, investment management clients also seek out Lake Jericho for education, analysis, insight, consulting, comprehensive financial advice, to develop and implement financial plans, or for advice regarding certain elements of financial planning. Financial planning services are also offered to non-investment management clients on an as-needed, fee-only basis.

Incidental to our discretionary investment management services, Lake Jericho provides, or coordinates with other professionals or vendors to provide, education, analysis, insight, and coaching, via a collaborative digital platform to support client financial planning needs.

Financial outcomes are enhanced when undertaken as a rigorously honest, collaborative process, client and advisor, that helps maximize client potential for meeting life goals. To that end, Lake Jericho actively encourages client engagement, and the investment of personal time and effort, in the financial planning process. The outputs of the financial planning process will be only as useful, complete, and accurate as the time committed and the quality of inputs to the process. As such, it is vital that clients commit their time and offer complete and accurate information.

Recommendations, potentially investment recommendations, will be adversely affected if information is omitted, or incomplete or inaccurate information is offered as inputs. Client needs, both investment and non-investment management, might include one, multiple, or all, of the elements of financial planning as defined and described by the Certified Financial Planning Board of Standards:

- 👉 Understanding the Client's Personal and Financial Circumstances
  - 👉 Identifying and Selecting Goals
  - 👉 Analyzing the Client's Current Course of Action and Potential Alternative course(s) of Action
  - 👉 Developing the Financial Planning Recommendation(s)
  - 👉 Presenting the Financial Planning Recommendation(s)
  - 👉 Implementing the Financial Planning Recommendation(s)
  - 👉 Monitoring Progress and Updating.
- ii. Special Considerations Regarding Qualified Employer Plan Rollovers and IRA Transfers: As a fiduciary advisor, operating under the *best interest* standard, and under a duty of loyalty to our clients, Lake Jericho must eliminate, or must make full and fair disclosure of, all conflicts of interest which might incline an advisor — consciously or unconsciously — to render advice which is not disinterested, such that a client can provide informed consent to the conflict.

Lake Jericho, as an independent, fee-only, investment advisor has undertaken great effort in its very structure to eliminate actual, and potential, conflicts of interest. Despite best efforts, however, there exists the ever-present conflict of interest inherent in the operation of a fee-for-service business; Lake Jericho, as with all fee-for-service businesses, must earn income from clients to exist.

Recommending that clients place additional assets with Lake Jericho, or recommending that potential clients hire Lake Jericho, when Lake Jericho will charge a fee in accordance with its Asset Based Fee Schedule as set forth in an Agreement between the client and Lake Jericho, raises this inherent conflict.

The rollover of qualified employer plan assets to an individual retirement account ("IRA"), or the transfer of an existing IRA, are special situations of this inherent conflict and worthy of heightened discussion and disclosures.

Lake Jericho may provide, as part of its services, education and insight for clients and potential clients considering, or otherwise forced to execute, the withdrawal of assets from an employer's qualified retirement plan, either defined contribution or defined benefit, and potentially rolling those assets over into an IRA, particularly an IRA managed by Lake Jericho.

Further, subsequent to a prior rollover of qualified employer plan assets to an IRA, managed by another firm or self-managed by the client or potential client, Lake Jericho may provide, as part of its services, education and insight for clients and potential clients considering the transfer of those existing IRA assets into an IRA managed by Lake Jericho.

If a client or potential client elects to roll plan assets to an IRA, or transfer an existing IRA, to be managed by Lake Jericho, Lake Jericho will charge a fee in accordance with its Asset Based Fee Schedule as set forth in the Agreement between the client and Lake Jericho. This raises this inherent conflict of interest simply because Lake Jericho has a natural incentive to guide a

client or potential client to an IRA managed by Lake Jericho for the purpose of generating fee-based compensation. This incentive, may, or may not now, align solely with the client's needs.

While Lake Jericho's Policies and Procedures require that education, insight, and direct advice, must be objective at all times, no manner or method of approaching the conversation can eliminate this natural incentive, and therefore the natural conflict present in Lake Jericho being in the business of providing services for compensation.

To minimize this natural conflict, Lake Jericho's approach to rollovers to, and transfers of, IRA's, as with all work with clients and potential clients, is one of education and full disclosure, rather than specific recommendations. Our Policy is to sufficiently guide clients and potential clients through the discovery of the issues and alternatives before them, an analysis of the advantages and disadvantages of each issue and available alternatives, what Lake Jericho would do if retained for service and why, such that clients can make informed choices about what is best for their interests.

Where and when Lake Jericho believes that we would add value greater than the available alternatives for a client or potential client choosing to work with us, we will express and support that belief. Alternatively, where and when Lake Jericho believes that a client or potential client is best served by an external alternative, we will express and support that belief. To honor our duty in the latter situation, we counsel clients and potential clients of those solutions made available by other service providers.

It is in this exercise, in even the best designed and most objective process one can follow, that this natural conflict can arise, even if unconsciously. Despite providing such a service to clients or potential clients, no client or potential client is under any obligation, contractually or otherwise, to complete a rollover or transfer of assets to a Lake Jericho managed IRA.

Regarding the initial rollover of employer plan assets, many employers permit former employees to keep their plan assets in their company plan. Moreover, if the client or potential client decides to complete an IRA rollover, that client or potential client is under no obligation to do so into an IRA managed by Lake Jericho. There are also insurance industry solutions (IRA annuity) available to clients and potential clients considering, or required, to withdraw assets from qualified plans. Also, many employers allow current employees to roll over plan assets from former employer plans into their plan. And increasingly, employer plans are allowing participants to hire external advisors to manage their assets while keeping the assets within the employer's plan.

In determining whether to complete a rollover to an IRA, and to the extent the following options are available, clients should consider the costs and the benefits of each of five potential options available:

- 👉 Leave the assets in your original plan sponsor's (perhaps former employer's) plan.
- 👉 Move the assets to your current (perhaps new) employer's plan.
- 👉 Rolling the assets into an IRA rollover account, Lake Jericho managed or not.

- 🔹 Rolling the funds into other financial/insurance products, such as an IRA Annuity.
- 🔹 Cashing out (taking a taxable distribution) the assets from the plan.

Each of these options has tax advantages or disadvantages. While Lake Jericho can offer education and insight regarding the tax impact of any choice, Lake Jericho encourages clients with complex tax situations to also consult with their CPA and/or tax attorney.

Clients who are considering rolling over, or perhaps facing a requirement to roll over, retirement plan assets to an IRA, or other industry solution, or the transfer of existing IRA assets, should determine beforehand:

- 🔹 What services, or collection of services, are required. Some investors consider themselves capable of the independent research and analysis necessary to make fully informed decisions regarding their financial futures, and feel that professional advice, a formal financial planning process, or continuous discretionary investment management is not a need. Such investors might be well served by a “do-it-yourself” approach to making and executing such decisions independently. Other investors, independent of their skill, ability, or experience, consider engaging professional advisors to be a worthwhile investment. Such investors, were there no such opportunity available for professional advice, planning services, or guidance regarding investment selection/allocation within the structure of an employer’s plan, or other alternatives, might be well served by working with a professional advisor.
- 🔹 While fees are not the sole consideration for decisions regarding rollovers, unnecessary and unwarranted fees can have a meaningful impact upon long-run outcomes. High, unjustified advisory and investment fees can cause even the best laid financial plan to fail. As can a poorly designed employer plan with high administrative expenses and high-cost investment options. But a singular focus on lowest cost solutions, if the result is poor planning, or poor execution, is unlikely to make up for lost opportunity in areas where fair costs are a justifiable expenditure. The proper approach is to weight the overall value of the services offered that best match the services required.
- 🔹 Determine whether the investment options available in the employer’s plan (original or new), available through a professional investment advisor, or available through other financial/insurance industry alternatives, can best meet your needs, or whether you should consider other types of investments. While employer retirement plans generally have a more limited investment menu than the full range of options available through other alternatives, employer plans may have unique investment options not publicly available, such as stable value options, discounted access to employer securities, previously closed investment funds, or favorably priced institutional share classes of popular investment options. Specific to employer securities, if owning company stock in an employer’s retirement plan, there are specific tax considerations prior to any rollover decision.
- 🔹 Assets held within employer plans may offer more liability and creditor protection than IRAs and other industry alternatives. While each state may vary, generally, federal law protects

assets in qualified plans from creditors. And since 2005, IRA assets have generally enjoyed the same protection from creditors in bankruptcies. However, some exceptions may exist. You should consult with personal legal counsel if you have reason to be concerned about protecting assets from creditors.

- 💧 IRA assets can be accessed any time. However, until a certain age, distributions, except under limited scenarios, may be subject to a 10% early distribution penalty. Distributions, except from certain IRA types, or under limited scenarios, are subject to ordinary income tax when taken. Assets remaining in employer plans may be available to you via plan loans, subject to provisions within the plan itself, without tax implications.
- 💧 For those with the ability to delay the drawdown of retirement assets, assets held in employer plans may allow the delay of required minimum annual distributions beyond age 72 (or age 70.5 for some). Assets held in IRA's, or other industry alternatives, have no option to delay distributions beyond that age at this time.
- 💧 Not all investment advisors are alike. Most investment advisors follow particular investment styles, or themes, that may have higher risk, or lower risk, than suitable, or that available in employer plans, or other industry alternatives. When evaluating any investment advisor, particularly a discretionary investment manager should you decide to execute a rollover into an IRA, you must understand how that advisor's style and process will affect your assets under a variety of market conditions.

It is important that clients and potential clients understand the many alternatives before them. Clients and prospective clients are urged to seek input and analysis not only from Lake Jericho, but also from their CPA or other tax adviser, their employer or plan administrator, and/or legal counsel prior to rolling over assets from qualified employer benefit plans to an IRA, managed by Lake Jericho or not.

- C. All Lake Jericho investment strategies lean heavily into modern portfolio theory and academic literature in the same way, yet execution can be quite different. Lake Jericho's core strategy will typically be applied, whether top-down or bottom-up, within each portfolio. Client portfolios with similar portfolio characteristics, objectives, and constraints will reflect similar execution strategies. As a natural by-product of a process-driven decision and implementation framework, we find the number of required iterations of our core strategy to meet most client portfolio needs to be few.

However, the manner in which our core strategy is implemented across client portfolios, the degree to which risk in the traditional sense is either enhanced or reduced, is dependent upon client type, and unique client needs. The manner in which client accounts are invested is dependent upon the client type, and the various, often conflicting, needs of each client within each type.

Our process, both before engagement and following engagement, has been purposefully crafted to uncover the unique needs of each client. Every engagement involves a rigorous and

cooperative process of discernment. This naturally iterative process necessarily involves gathering and examination of all relevant data, highlighting of issues, establishing priorities, itemizing goals and objectives, the determination of actionable strategies, and the mutual determination of success benchmarks.

Related to discretionary investment management services, Lake Jericho provides both “top-down” and “bottom-up” methods of analysis and investment management.

For those portfolios where a “top-down” approach is appropriate, Lake Jericho focuses primarily upon the development and implementation of a global asset allocation strategy, allocated across the universe of investable asset types, relying on macro factors as the driver of investment performance. For each investment within a global allocation, Lake Jericho selects what, in its sole determination, is the most efficient investment vehicle, or vehicles, in terms of type, preferred fund, or sub-advisor, for that particular allocation. These investment vehicles can include active money managers, mutual funds, exchange traded funds, separate accounts, individual securities, or any other vehicle determined by Lake Jericho to be the most efficient to achieve portfolio objectives. These vehicles may be actively managed, passively indexed, quantitatively-driven, or any combination of strategies determined to be the most efficient to achieve overall portfolio objectives.

For those portfolios for which a “bottom up”, individual security approach is specified, Lake Jericho focuses primarily on individual security selection as the driver of investment performance. Portfolios managed in this way are heavily U.S. focused, industry sector biased, comparatively concentrated, and therefore reflect an aggressive risk profile. Due to the portfolio biases, and level of company-specific risk, the returns of this approach can significantly disconnect from broad-market index returns, and can do so for long periods of time. This approach is therefore not appropriate for all clients, or perhaps all portfolios of one individual client. When selecting individual equity securities to meet the investment objectives of these client portfolios, Lake Jericho first employs sector evaluation within the context of business cycle position, then, secondarily, factor screens that focus upon the selection of businesses presenting above average potential for near-term price momentum.

- D. Lake Jericho does not participate in a wrap fee program.
- E. Assets under advisement as of the publication date of this annual update are:

Regulatory assets under management as of the date of this Brochure are:

Discretionary Managed Assets	\$29,639,846
Non-Discretionary Managed Assets	<u>\$ NA</u>
Total Assets	\$29,639,846

Values in total may be higher or lower, than the totals reflected above depending upon current market conditions. Material changes to regulatory assets under management will be promptly reported.

## Item 5: Fees and Compensation

- A. Lake Jericho is compensated for its discretionary investment advisory services by charging an Asset-Based Fee on the net liquidation value of client accounts. All financial planning services provided for discretionary investment management clients are complimentary. Lake Jericho is compensated for its fee-only (non-investment management client) services by charging a Service Based Fee in one of the following ways; charging a fixed rate for each project or combination of projects, charging a variable hourly rate, or charging a combination of fixed rate plus a variable hourly component.

For fee-only clients, fees are determined on a project-specific basis. The total fee for an individual financial plan will vary from client to client and will be based on the scope of the project, needs specific to each project, and complexity of each project. The total fee for other financial services projects will vary from client to client and will be based on the scope of the project, needs specific to each project, and complexity of each project. A fee range based on the estimated hours required to complete an assignment is provided once the project scope is fully identified. For many projects we will be able to offer a fixed rate quote based on the estimated number of hours to complete a project. If, due to the nature and/or complexity of the project, we are not able to offer a fixed rate quote, the hourly rate fee will be based upon the actual time involved. Regardless, metrics are discussed, detailed, and agreed to with each client prior to entering into a financial planning agreement under the Service Based Fee plan.

To assist potential clients with an estimation of costs under the Service Based Fee plan we have drafted the following to serve as a general idea of the costs for various services:

- ☪ A basic financial consultation for early-career clients seeking guidance on a variety of personal finance topics will generally require 2 hours of meeting, discussion, and discovery time. An additional 2 to 6 hours of research and plan drafting time should be expected. These clients can expect fees ranging from \$500 up to \$2,500.
- ☪ A mid-career client focused on saving for future education costs, retirement savings and an evaluation of employer-provided qualified retirement benefits, will generally take 2 hours of meeting, discussion, and discovery time. An additional 6 to 16 hours of research, evaluation, plan drafting, and provider coordination time could be required. Such a client can expect fees of \$5,000 - \$10,000 for such service.
- ☪ For pre-retirement clients, clients owning their own business, clients with complex or difficult planning circumstances, or for business-based consulting services, significantly more time will be required for discovery, analysis, and coordination of professional teams. Time commitment could total 20 to 40 hours. Such a client can expect fees in the range of \$7,500 to \$10,000.

Lake Jericho reserves the right, in its sole discretion, to negotiate, reduce, or waive the Asset Based Fee and/or the Service Based Fee for certain client accounts for any period of time determined by Lake Jericho. In addition, Lake Jericho may reduce or waive its fees for the accounts of some clients without notice to, or fee adjustment for, other clients. The standard fee

schedules for both the asset-based advisory service and the fee-based financial planning services are as follows:

**Asset Based Fee Schedule (Subject to Annual Minimum Fee of \$5,000)**

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<u>Account Size</u>	<u>Annual Rate</u>
Up to 1M	1.2500%
1M to 2.5M	1.0000%
2.5M to 5M	0.7500%
5M to 25M	0.5000%
25M +	Negotiable

**Service Based Fee Schedule (Fixed Rate)**

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- \$5,000 Simple Financial Plan: Basic spending analysis, goal setting, budgeting, asset accumulation plan)
- \$7,500 Complex Financial Plan: Simple Plan with the added service of team management bringing together external advisors in the areas of Legal, Accounting, Insurance, etc., to implement a more complex set of solutions to meet client needs.
- \$10,000 Complete Financial Plan: In addition to the implementation of a more complex set of solutions this will include the creation of custom asset allocation, manager search and selection. Clients will implement these solutions and can contract with Lake Jericho for annual reviews and rebalancing.
- \$10,000 Model portfolio allocation, manager search, and selection.

**Service Based Fee Schedule (Hourly Rate)**

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- \$250 Per Hour Clients have the option to elect payment for services based upon an hourly rate versus a fixed rate fee. Recurring clients might choose this option for services such as an annual true-up of financial plan developed previously, for a new qualified plan/IRA analysis, model portfolio review, manager review, or any other à la carte service. Electing an hourly rate versus a fixed rate fee could result in a cost savings to the client.

- B. The annual investment advisory fee (on a daily equivalent basis based upon the number of days in each year during which U.S. equity markets are open for trading) is charged on a trailing monthly basis. This fee is calculated on a continuous basis and deducted from client accounts each month as follows: Lake Jericho's custodian, Interactive Brokers, LLC, calculates a daily advisory fee, which is equal to the annual fee rate multiplied by the net liquidation value of the client's account as of the close of trading each day, then divided by the exact number of days which U.S. equity markets are open for trading during that year, then multiplied by the actual number of days which the U.S. equity markets are open for trading during that month. The advisory fee for a calendar month is the sum of the daily fees calculated during that month (less any deductions or fee waivers) and is deducted from client accounts no later than the tenth business day of the following month.

As is customary for many professional service agreements, fixed rate, hourly rate, or combinations of fixed and hourly rate financial planning services will be billed independently. Again, the amount will depend entirely upon the client relationship and terms agreed to with each client prior to entering into any agreement.

Specifically regarding investment advisory contracts, pursuant to Section 130.846 of the State of Illinois Administrative Code, unless a client has received Lake Jericho's disclosure brochure at least 48 hours prior to signing an investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees.

- C. In addition to asset-based investment advisory fees, clients may also pay other fees or expenses to third-parties. The issuers of securities or investment vehicles selected for client accounts, such as mutual funds, ETFs, or other similar financial products, may charge product fees that affect client accounts. Lake Jericho does not charge these fees to clients, and does not benefit directly or indirectly from any such fees. Mutual funds, accounts managed by external advisors, ETFs and similar products typically include embedded expenses that may reduce the fund's net asset value. Examples of such expenses include management fees, custodian fees, brokerage commissions, legal, and accounting fees. These fees therefore directly affect the fund's performance and indirectly affect a client's portfolio performance or an index benchmark comparison.
- D. The annual advisory fee (on a daily equivalent basis) is charged on a trailing monthly basis and is never charged in advance. As is customary for many professional service agreements, fixed rate, hourly rate, or combinations of fixed and hourly rate financial planning services will be billed independently. Again, the amount will depend entirely upon the client relationship and terms agreed to with each client prior to entering into any agreement.
- E. Lake Jericho is a "fee only" investment advisor, and other than its asset-based investment advisory fee and its financial planning fees described above, neither the firm nor its employees receive or accept any direct or indirect compensation from the issuers or sponsors of investments that are purchased or sold for client accounts.

## Item 6: Performance Based Fees and Side-by-Side Management

- A. Lake Jericho neither charges nor accepts fees based on a share of capital gains on, or capital appreciation of, client assets (performance based fees).

## Item 7: Types of Clients

- A. Services are offered to individuals, households, family offices, foundations, endowments, plan sponsors, the not-for-profit community, and the business community.

Generally, Lake Jericho does not have a minimum account size for opening or maintaining an account. However, account size does influence what is possible in terms of account opening and investment management strategy. Certain account types do have minimum size requirements imposed by the custodian, Interactive Brokers, LLC.

Lake Jericho considers all potential charges in the evaluation of client, and potential client, accounts. These considerations might draw the conclusion that, for certain account types and sizes, Lake Jericho is not able to provide a reasonably cost-effective solution. To honor requests in these situations we will counsel clients and potential clients of options available both within Lake Jericho's suite of solutions and those solutions made available by other service providers.

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

A. Leaning heavily into portfolio management academic literature, Lake Jericho maintains limited variations of investment target portfolios at any time. A target portfolio is what, in our sole determination, is the current, optimal "risk" portfolio, and is the basis for actual client portfolio construction. A target portfolio, and therefore each client portfolio, is constructed using diversified types and allocations of investments, that represent, in total or in some part, the global universe of investable assets. The capital allocated within client portfolios to a target portfolio, may be, or is, balanced by capital allocated within portfolios, or external assets held, to low-risk (or lower volatility) investments.

"Low-risk" or "lower volatility" investments could include, but are not limited to, cash, cash equivalents, U.S. Treasury or Agency issues, Corporate Bonds, International Bonds, or any other type of "fixed" income asset, including inverse products, that might be used primarily as a means of risk management, with income and total return a secondary concern. The purpose of the target portfolio structure, when combined with low-risk allocations, is to appropriately benchmark actual client portfolios, and therefore the characteristics and risk attributes of actual client portfolios at a point in time, versus the characteristics and risk attributes of the total investment universe.

The ratio of capital allocated to a target portfolio, or one of its few variations, versus low-risk allocations, within client accounts is determined by (1) Asset Location, (2) Portfolio Size, (3) Time Horizon, and (4) Risk Bias. Final allocations address specific client/portfolio needs, and are weighted to capture the highest, net expected return within the constraints imposed by tax considerations to the extent present, efficiency of execution, investment horizon or liquidity needs, and risk/reward characteristics.

Target portfolios are developed and managed using continually refined relationships of and between:

- 👉 the historical valuation relationships amongst the various asset classes,
- 👉 the macro- and micro-economic influences that Lake Jericho believes will influence future asset class valuation relationships over each target portfolio's assumed investment horizon, and
- 👉 the current valuation relationships amongst the various asset classes.

Ever mindful of expenses paid by investors, Lake Jericho makes significant use of passive investment vehicles to execute active strategies as a means to obtain desired portfolio exposures. Lake Jericho employs active management, or factor, strategies in situations for which evidence of historical and sustainable added value is overwhelming. Active managers, or factor strategies, must have exhibited a consistent ability on a risk adjusted basis to outperform, net-of-fees, their peers and benchmark indexes over a full market cycle. Preference is given to managers and strategies with solid quantitative track records. The following qualitative factors are also considered:

- 👉 Specialization, or focus, upon the asset class, style, or strategy employed.
- 👉 The manner in which investment policy statements are used to specify portfolio strategy and execution, and to outline how the portfolio will be managed and success measured.

- 🔹 Investment philosophy and methodology. The ability to clearly communicate the strategy. Demonstrate adherence to, and success of, the strategy over time.
- 🔹 Firm culture and stewardship.
- 🔹 Breadth and depth of personnel assigned to the strategy.
- 🔹 Leadership, management, and staff personal investment and commitment.
- 🔹 Transparency and communication.
- 🔹 Regulatory status and reputation

Products and managers are monitored for performance versus peers and benchmarks, changes in investment philosophy, key employee turnover, and adherence to the investment style for which they were selected.

Although Lake Jericho's approach to investing client assets is designed to optimize expected net return over the course of a market cycle, all investors must be aware that investing in securities involves risk of loss during a market cycle or over a market cycle. Every client should be prepared to bear such losses from time-to-time during a market cycle or even over the course of an entire market cycle.

- B. The risk of any investment strategy, or in the method of analysis used to support that strategy, is that the strategy fails or the analysis proves incorrect over a market cycle. Sub-optimal investment performance versus performance benchmarks can be the result. While specific strategies might fall out of favor during a market cycle, that does not mean that the strategy fails over the course of an entire market cycle. Lake Jericho has built its strategy and analysis around the realities of complete market cycles. Therefore, speculative investors and those seeking short-term gains through high trading activity will be poorly served by Lake Jericho's services. However, those that take a long-term view of investment markets, and their portfolio performance, should be well served by Lake Jericho.

Lake Jericho believes that its research, analysis, and strategy are sound, time-tested, and confidently inform a process that manages many of the factors that most consider "risks" related to strategy and analysis. However, all investment performance must be evaluated relative to the world around it. Therefore, while relative to the world around it any particular strategy might prove solid, investors will still be exposed to a variety of systemic risks that cannot be eliminated through diversification of assets, style, or strategy. An important part of Lake Jericho's responsibility is to educate our clients and to reinforce these realities as we publish, or conduct, account reviews for or with clients.

Lake Jericho does not "time" the market in a traditional sense. Our process is largely unconcerned with attempts to call market tops or market bottoms. However, we initiate, liquidate, increase, decrease, or otherwise "fine-tune" portfolio allocations when the market presents opportunities to capitalize on oversold, or overbought, positions.

Lake Jericho does not utilize high-frequency trading strategies. Lake Jericho does not utilize investments with limited or restricted liquidity, nor those that employ non-transparent, "black-box" strategies. Lake Jericho does not, itself, typically utilize leverage directly within client accounts.

However, margin within margin accounts might be employed as a means for trading efficiency, liquidity management, tax management, or simple administrative efficiency.

- i. Special Considerations Regarding Complex and/or Leveraged Exchange Traded Products: Securities regulators have adopted the terms "Complex" and/or "Leveraged Exchange Traded" products to classify "securities or investment strategies with novel, complicated, or intricate derivative-like features ... [that] may make it difficult for a retail investor to understand the essential characteristics of the product and its risks." An investment vehicle is more likely to be deemed complex "if it would be unreasonable to expect an average retail investor to discern the existence of these features and to understand the basic manner in which these features interact to produce an investment return" in varying market environments.

In layman's terms, complex and leveraged exchange traded investment vehicles demand heightened scrutiny, implementation care, and management skill as the mere complexity, not simply the potential for leveraged gains, or the ever-present risk of leveraged losses, of such investment vehicles could prevent average retail investors from fully understanding the risks inherent in the products.

Lake Jericho *does* use in client accounts complex and leveraged exchange traded investment vehicles managed by others that utilize leverage, derivative securities, forward contracts, futures contracts, swap agreements, non-traditional trading strategies, currency management strategies, or combinations of such strategies for the purpose of overall risk-management, to allow for higher cash holdings for unanticipated liquidity events without sacrificing markets returns, or simply for return enhancement in high-conviction scenarios. Lake Jericho does possess the professional skill and experience to confidently and capably manage complex and leveraged exchange traded products within client portfolios, has put in place proper procedures and risk controls, and engages in a process of full and fair disclosure at multiple points in time.

Lake Jericho may use in client accounts complex and leveraged exchange traded investment vehicles that are constructed to perform in a manner that is inversely related to the market, or market sector, for the purposes of overall risk management. Lake Jericho also uses such investment vehicles to create, increase, maintain, decrease, or eliminate, synthetically, cash positions in clients accounts in a cost efficient manner to increase or decrease total market exposure, or the manage liquidity and tax implications within client accounts.

Investors can expect that the strategic asset allocation relationships remain relatively stable over time. Our approach is one of making incremental adjustments over time in response to new information rather than the making of sweeping reactionary changes. One should expect that the asset allocation relationships will be regularly rebalanced to the prescribed target allocation.

The intent of Lake Jericho's strategy is to most efficiently use strategy and style in each of the various asset classes. Statistically speaking, the use of traditional passive strategies is most efficient in certain core asset classes, while the use of active or quantitatively-driven strategies in satellite asset classes could be an efficient use of expense and risk budgets. Just as active managers deploy

a variety of strategies, indexing also encompasses a variety of strategies. Lake Jericho believes that seeking the most efficient combination of strategy and style across asset class/sectors helps to manage significant or unusual risks associated within a more narrowly defined investment processes.

## Item 9: Disciplinary Information

Lake Jericho is required to disclose, and to disclose all material facts regarding, legal or disciplinary events that are material to a client's or prospective client's evaluation of Lake Jericho's advisory business and of the integrity of Lake Jericho's management. Neither Lake Jericho nor any management person have been involved in any legal or disciplinary event.

- A. Lake Jericho has not been involved in any criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the firm or a management person:
1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
  2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
  3. was found to have been involved in a violation of an investment-related statute or regulation; or
  4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.
- B. Neither Lake Jericho nor any management person has been the subject of any administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the firm or a management person:
1. was found to have caused an investment-related business to lose its authorization to do business; or
  2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority:
    - (a) denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business;
    - (b) barring or suspending your firm's or a management person's association with an investment-related business;
    - (c) otherwise significantly limiting your firm's or a management person's investment-related activities; or
    - (d) imposing a civil money penalty of more than \$2,500 on your firm or a management person.
- C. Neither Lake Jericho nor any management person has been involved in a self-regulatory organization (SRO) proceeding in which the firm or a management person:
1. was found to have caused an investment-related business to lose its authorization to do business; or
  2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from

membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

## Item 10: Other Financial Industry Activities and Affiliations

- A. Neither Lake Jericho nor any management person is, or has, an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Lake Jericho nor any management person is, or has, an application pending to register as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of such entities.
- C. Neither Lake Jericho nor any management person has any relationship or arrangement that is material to Lake Jericho's advisory business or clients with any related person listed below:
  - 1. broker-dealer, municipal securities dealer, or government securities dealer or broker;
  - 2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);
  - 3. other investment adviser or financial planner;
  - 4. futures commission merchant, commodity pool operator, or commodity trading advisor;
  - 5. banking or thrift institution;
  - 6. accountant or accounting firm;
  - 7. lawyer or law firm;
  - 8. insurance company or agency;
  - 9. pension consultant;
  - 10. real estate broker or dealer;
  - 11. sponsor or syndicator of limited partnerships.
- D. Neither Lake Jericho nor any management person recommends or selects other investment advisers for clients in which either receives compensation directly or indirectly from those advisers.

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

A. Lake Jericho is Registered with the State of Illinois, as well as additional States where required. Additional registration in other states in which Lake Jericho operates are, or will be, undertaken as required by each state's rules and regulations. In anticipation of future registration with the SEC, Lake Jericho has proactively adopted and adheres to the CFA Institute *Asset Manager Code of Professional Conduct*. The CFA Institute is a global association of investment professionals that sets the standard for professional excellence. The CFA Institute is a champion for ethical behavior in investment markets and a respected source of knowledge in the global financial community. Generally, the *Code* states that Managers have the following responsibilities to their clients. Managers must:

1. Act in a professional and ethical manner at all times.
2. Act for the benefit of clients.
3. Act with independence and objectivity.
4. Act with skill, competence, and diligence.
5. Communicate with clients in a timely and accurate manner.
6. Uphold the applicable rules governing capital markets.

Lake Jericho will gladly provide a copy of the complete *Code of Professional Conduct* upon request by any client or prospective client.

B. Lake Jericho or its employees may buy or sell investments which are also bought or sold for clients. Lake Jericho requires compliance with Section C., Part 2 of the CFA Institute *Asset Manager Code of Professional Conduct*. The *Code* requires that Lake Jericho give priority to investments made on behalf of the client over those that benefit our own interests. Lake Jericho prohibits any employee from trading a security before a client and prohibits an advisor from opening and having a personal securities trading account without prior written approval from Lake Jericho. Lake Jericho will gladly provide a copy of the complete *Code of Professional Conduct* upon request by any client or prospective client.

C. Lake Jericho or its employees may invest in the same securities which are also recommended to clients. Lake Jericho requires compliance with Section C., Part 2 of the CFA Institute *Asset Manager Code of Professional Conduct*. The *Code* requires that Lake Jericho give priority to investments made on behalf of the client over those that benefit our own interests. Lake Jericho prohibits any employee from trading a security before a client and prohibits an advisor from opening and having a personal securities trading account without prior written approval from Lake Jericho. Lake Jericho will gladly provide a copy of the complete *Code of Professional Conduct* upon request by any client or prospective client.

D. Lake Jericho or its employees may buy or sell investments which are also bought or sold for clients, at or about the same time as transactions for client accounts are made. However, transactions for client accounts are always prioritized in trade order and execution will occur before, or coincident with, Lake Jericho and/or Lake Jericho's employee accounts. Lake Jericho requires compliance with Section C., Part 2 of the CFA Institute *Asset Manager Code of Professional*

*Conduct.* The *Code* requires that Lake Jericho give priority to investments made on behalf of the client over those that benefit our own interests. Lake Jericho prohibits any employee from trading a security before a client and prohibits an advisor from opening and having a personal securities trading account without prior written approval from Lake Jericho. Lake Jericho will gladly provide a copy of the complete *Code of Professional Conduct* upon request by any client or prospective client.

## Item 12: Brokerage Practices

A. Lake Jericho utilizes Interactive Brokers, LLC as broker-dealer. Lake Jericho evaluated many of the firms offering custody, brokerage, and investment platform services and judged Interactive Brokers, LLC to be the best fit for Lake Jericho's clients. Significant factors considered in the selection of Interactive Brokers, LLC as broker-dealer include:

- Financial stability, stability of ownership structure, and personal investment by staff that reinforces accountability. This is the Company that will custody client assets and as such strength, security, safety and stability were paramount in the decision making process.
- Suite of services offered to our clients and the management platform offered for the effective and efficient management of client accounts.
- Innovative technology solutions and standards.
- Low cost and best execution as determined by comparing competing broker-dealer fees versus services offered that would be most used by Lake Jericho clients.
- Independence. As an independent advisory firm we value working with other independent service providers that demonstrate service to clients as the top priority.
- Conformity with legal and regulatory requirements.
- Ethical practices. We demanded a partner with a record of unbiased service in the provision of transparent solutions. Potential conflicts of interest were prominently disclosed and appropriately managed versus other firms evaluated.
- A history of commitment to strong compliance procedures and compliance support capabilities.
- A deep and experienced professional staff.

1. Lake Jericho has adopted the CFA Institute *Soft Dollar Standards for Client Brokerage*. Any soft-dollar benefit that could arise in the future as a result of Lake Jericho's relationship with its selected broker-dealer would be governed by the CFA Institute's *Soft Dollar Standards for Client Brokerage* guidelines requiring that soft-dollar benefits accrued be used only for qualified research benefitting the client account that generated the benefit.

- (a) Should client brokerage commissions be used to obtain research Lake Jericho does receive a material benefit in that the research is obtained by Lake Jericho without direct cost.
- (b) Lake Jericho may be confronted with the incentive to select or recommend broker-dealer services based upon our interest in obtaining certain research without direct cost and that might conflict with a client's interest in receiving the most favorable price for trade execution.
- (c) Lake Jericho has selected Interactive Brokers, LLC as broker-dealer based upon a variety of criteria that we believe best serves the balance of client interests. Although, on balance, we believe that Interactive Brokers, LLC provides the most advantageous pricing and best execution for client trades/transaction the nature of the relationship may cause clients to pay, from time-to time, commissions that might be higher than competitor broker-dealers. While soft-dollar benefits could be exercised in the future, this has not been a factor in Lake Jericho's selection of Interactive Brokers, LLC as broker-dealer, and again falls under the CFA Institute *Soft Dollar Standards for Client Brokerage*.

- (d) Lake Jericho has adopted the CFA Institute *Soft Dollar Standards for Client Brokerage*. Any soft-dollar benefit that could arise in the future as a result of Lake Jericho's relationship with its selected broker-dealer would be governed by the CFA Institute's *Soft Dollar Standards for Client Brokerage* guidelines requiring that soft-dollar benefits accrued be used only for qualified research benefitting the client account that generated the benefit. While other clients might tangentially benefit from the information, the knowledge, and the additional skill gained by such benefits are primarily considered for the account generating the benefit. The client account that generates such a benefit will always be the primary beneficiary of such information, knowledge, and skill.
- (e) There have been no soft-dollar benefits requested or acquired by Lake Jericho via client brokerage within the last fiscal year.
- (f) There has been no direction of client transactions to a particular broker-dealer in return for soft dollar benefits within the last fiscal year.

2. Lake Jericho does not consider, when selecting or recommending broker-dealers, whether Lake Jericho or a related person receives client referrals from the broker-dealer or third party,

### 3. Directed Brokerage

- (a) Lake Jericho advisory accounts are established and maintained through Interactive Brokers, LLC and are held in custody by Interactive Brokers, LLC. Certain types of accounts may be held in trust by third party trustees but these accounts are still transacted and reported through the Interactive Brokers, LLC platform. Interactive Brokers, LLC is a primary broker-dealer and as such has an interest in the transactions executed for Lake Jericho clients. Lake Jericho has no beneficial interest in transactions executed on behalf of client accounts. While it might be possible to obtain lower fees through other broker dealers and other brokerage arrangements, Lake Jericho believes that the transaction fees paid by clients for Interactive Brokers, LLC services are highly competitive and provide, on balance, best price and execution.

Lake Jericho's expertise is in the design and management of portfolios of funds; mutual funds, exchange traded funds, and other managed portfolios of securities. Clients are under no obligation to execute these transactions through Lake Jericho/Interactive Brokers, LLC. It is possible that more (or less) favorable execution could be obtained elsewhere, but Lake Jericho and Interactive Brokers, LLC strives to gain best possible execution for mutual clients.

- (b) Clients may open accounts and execute transactions elsewhere. However, in doing so the results and costs are not supervised or monitored by Lake Jericho.

B. Within client portfolios, mutual fund holdings per client account are separate accounts and transactions may, or may not be aggregated. Exchange traded funds within client portfolios, although held separately per client account, may, or may not be, aggregated for trading purposes. Whenever possible and expedient to do so we attempt to aggregate such trades in an effort to achieve best execution, to qualify for institutional or lower cost investments, or serve other efforts

that benefit client accounts. Other securities transactions executed on behalf of client accounts may also be aggregated for trading purposes to achieve best execution, increasing trading efficiency and potentially lowering transaction costs.









Lake Jericho has adopted and adheres to the CFA Institute *Trade Management Guidelines*. Recognizing the complexities and ambiguities surrounding the concept of "best execution" the Institute has crafted the *Guidelines* to provide a recommended set of procedures promoting clients best interests.

### Item 13: Review of Accounts

- A. Lake Jericho designed and implemented a system of constant portfolio monitoring, in real time, based upon exception reporting of performance measures that deviate from the expected measures of each portfolio's peer group, or "pod".
- B. In addition to the above systems of review, any significant account activity or change in a client personal outlook will trigger an immediate review by the account team to insure that the client and their account(s) remain on an appropriate investment strategy, or should be moved to another.
- C. Clients receive statements, either electronically or in physical form, directly from the account custodian on a monthly and quarterly basis. Daily activity statements are delivered electronically, automatically. Clients can generate reports as frequently as they desire via the custodian's account management website (<https://gdcdyn.interactivebrokers.com/sso/Login>). These regular reports include account balances, transactions, assets held, income earned, market value changes, and basic performance information. The custodian's account management website also provides capabilities for clients to create their own custom performance reports so that they able to independently evaluate risk and return of their portfolios.

Quarterly, Lake Jericho prepares detailed client performance reports and distributes those reports to clients. Any client, via the custodian's account management website, can create and generate performance content, inclusive of custom benchmark information, performance comparison versus many public benchmark's performance, for any time period of their choosing.

Client accounts are maintained on a daily valuation record-keeping system. Clients may, at any time, review their accounts, accessing them through the custodian's account management website. Content includes, but is not limited to:

-  On demand statements
-  Account transactions
-  Trade confirmations
-  Realized and unrealized gain/loss schedules
-  Income and expenses
-  Tax statements
-  Performance reporting
-  Market and watchlist live data

Item 14: Client Referrals and Other Compensation

- A. If someone who is not a client provides Lake Jericho with an economic benefit for providing investment advice or other advisory services, Lake Jericho is required to describe the arrangement. No such arrangement exists. Lake Jericho does not receive any additional economic benefit or compensation such as, but not limited to, sales awards, other prizes, or other incentive from any source.
- B. Neither Lake Jericho nor any related person directly or indirectly compensates any person who is not a supervised person for client referrals.

## Item 15: Custody

Lake Jericho does not regularly hold custody of client securities or funds. All client securities and funds, are held by the selected custodian, Interactive Brokers, or by individually identified accounts with national banks or other service providers. Under rule 206(4)-2 of the Investment Advisers Act of 1940, the "custody rule", and its subsequent revisions, certain authorities granted Lake Jericho for the management and administration of accounts trigger what regulators classify as "custody" with or without taking physical possession of those assets. Because of the additional regulatory burden and costs incurred, Lake Jericho might not offer some services or conveniences that other national firms, or firms with a captive custodian or national banking charter, might provide. Some requests for services we will be unable to honor. Some, depending upon the nature of the specific relationship, might be possible, with or without additional considerations or fees charged.

## Item 16; Investment Discretion

Discretionary authority is affirmatively granted to Lake Jericho through an Investment Management Agreement established at the beginning of every client relationship. Granted discretionary authority by a client, Lake Jericho is given the authority by the client to execute strategy and execute investment transactions on the client's behalf without first notifying and obtaining client authorization. Lake Jericho is granted the authority to determine the type and/or amount of securities to be bought or sold for a client's account, the broker or dealer to be used, and the amount of commission rates to be paid to a broker or dealer for a client's securities transactions. Transactions conducted on a client's behalf are always within the scope of the guidelines and objectives established with the client as part of the Investment Management Agreement. Lake Jericho does not accept non-discretionary accounts.

## Item 17: Voting Client Securities

- A. Clients retain authority to vote client securities and their proxies or other solicitations that are delivered to them directly from the custodian or transfer agent. Lake Jericho is always available to consult with clients about any solicitation. Clients may also deliver proxy information to Lake Jericho and we will vote client securities on their behalf.
  
- B. When voting client shares, Lake Jericho seeks to make proxy voting decisions in the manner most likely to protect and promote the economic value of the securities. Lake Jericho maintains issue-specific proxy voting guidelines that are intended to summarize Lake Jericho's general philosophy and approach to issues that commonly arise in the proxy voting context for U.S. Securities. These guidelines are not intended to limit the analysis of individual issues at specific companies and are not intended to provide a guide to how Lake Jericho will vote in every instance. Rather, they share our view about corporate governance issues generally, and provide insight into how we typically approach issues that commonly arise on corporate ballots. They are applied with discretion, taking into consideration the range of issues and facts specific to the company and the individual ballot item. Should a conflict, or an appearance of a conflict, of interest exist in voting client shares written disclosure of the conflict will be provided to clients and clients will be given the opportunity to direct the voting of their shares. Clients can request a copy of these guidelines at any time.

## Item 18: Financial Information

- A. Lake Jericho does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Lake Jericho does not require or solicit the prepayment of client account fees.
- B. Lake Jericho does hold discretionary authority over client accounts, but does not hold custody of client funds or securities, and does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Because Lake Jericho does hold discretionary authority over certain client accounts, were there any known financial conditions reasonable likely to impair Lake Jericho's ability to meet contractual commitments to clients such conditions would require disclosure. There are no known financial conditions that would be reasonably likely to impair Lake Jericho's ability to meet contractual commitments to clients.
- C. Neither Lake Jericho nor its management has been the subject of a bankruptcy petition.

## Item 19: Requirements for State-Registered Advisers

- A. Identify each of your principal executive officers and management persons, and describe their formal education and business background.

Alvin F. Walker, Jr.

Year of Birth: 1965

Designations:

Certified Financial Planner (CFP®), License #131441

Chartered Financial Analyst Charterholder (CFA®), CFA Institute ID #6844030

Formal Education after high school:

B.S. in Business Economics (Finance Concentration), University of Louisville 1989

M.B.A. from Indiana University Southeast 2004

Business background experience for preceding years:

Lake Jericho, LLC 2014 - present Founder, Principal

Lake Jericho (Sole Proprietorship), 2010 – 2014 Consultant

New Covenant Funds Distributors, Inc., 2004-2010 Director

NCF Investment Department of New Covenant Trust Co., N.A. 2001-2010

Vice President

New Covenant Trust Company, N.A. 2001-2010, Vice President-Trust and

Investment Services

Invesco 1989-1998, Portfolio Manager

- B. In addition to investment advice we are, on occasion, engaged by organizations within the not-for-profit, and the small business, space to advise regarding internal control, process management, reporting and compliance issues. These activities do not represent a significant commitment of our business or service capabilities.
- C. Neither Lake Jericho nor Mr. Walker engage in performance based compensation/fees structures.
- D. Neither Lake Jericho nor Mr. Walker have been involved in any of the events listed below:
1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:
    - (a) an investment or an investment-related business or activity;
    - (b) fraud, false statement(s), or omissions;
    - (c) theft, embezzlement, or other wrongful taking of property;
    - (d) bribery, forgery, counterfeiting, or extortion; or
    - (e) dishonest, unfair, or unethical practices.
  2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s), or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair, or unethical practices.

E. Neither Lake Jericho nor Mr. Walker have any relationship or arrangement with any issuer of securities that is not listed in Item 10.C. of Part 2A.