

## **INTERLAKE CAPITAL MANAGEMENT, LLC**

### FORM ADV, PART II Disclosure Brochure

Pursuant to the so-called "brochure rule," Interlake Capital Management, LLC, periodically updates Form ADV, Part II. This rule requires that Interlake provide a written document containing the information contained in Form ADV, Part II, to all clients with whom the firm enters into an investment advisory or investment management contract. Interlake must deliver this document to a client or prospective client:

- a) not less than 48 hours prior to executing a contract with Interlake, or
- b) at the time of executing such contract, in which case the client has the right to terminate the contract with Interlake within five business days without penalty.

In fact, clients may cancel a contract with Interlake at any time, without penalty, upon the firm's receipt of written notification from the client.

Part II of Form ADV contains information relating to Interlake's business. This information includes types of services offered, fees, types of clients served, types of investments generally recommended, methods of analysis, strategies employed, information sources consulted, educational and business backgrounds of management employees, participation in connection with client transactions, conditions for managing accounts, the nature of discretionary authority, the process for reviewing accounts, brokers used, and the allocation of brokerage commissions.

The information contained herein relates only to specific questions to which the relevant regulatory agencies request answers. The document is not, and is not intended to be, a marketing brochure, nor is it designed to provide detailed information about all aspects of Interlake's business.

## INTERLAKE CAPITAL MANAGEMENT, LLC

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### Advisory Services and Fees

The principal business of Interlake Capital Management, LLC, consists of furnishing “investment supervisory services” to clients. This activity includes the provision of continuous advice concerning investment of monies consistent with the circumstances, preferences, and objectives of each client. The investment management process includes an assessment of each client’s objectives, needs, restrictions, and portfolio holdings. We attempt to structure each client’s investment program in the context of these considerations.

Interlake may, from time to time, manage accounts on a fully discretionary basis without detailed knowledge of the circumstances, preferences, and objectives of the specific client. In these instances, Interlake formulates and implements an investment program that is considered prudent, appropriate, and suitable to the nature of the account and Interlake’s understanding of the client’s general characteristics.

Interlake also provides investment advice to participants in defined-contribution retirement plans (i.e., 401(k) and 403(b) plans) whose employers (i.e., plan sponsors) have contracted with Interlake to provide such services, or in cases where Interlake has been appointed as an ERISA 3(38) investment fiduciary by a named ERISA 3(21) fiduciary.

Interlake does not provide investment advice on any other basis than those described above.

Interlake does not issue periodic publications relating to securities on a subscription basis, nor do we prepare for distribution special reports or analyses relating to securities.

Interlake does not generally prepare or issue any charts, graphs, formulas, or other devices for use by clients in evaluating securities, nor do we furnish advice to clients on any matters not involving securities on other than an incidental basis. Incidental to its primary function as a money manager, Interlake offers clients certain very general guidance commonly considered financial planning.

**Table 1** presents the fee schedule for Interlake’s Alpha Portfolio. **Table 2** presents the fee schedule for the firm’s Allocation Portfolios. **Table 3** presents the fee schedule for the firm’s defined-contribution retirement plan services.

**Table 1--Interlake Alpha Fees**

<u>Household Assets*</u>	<u>Marginal Fee**</u>
Up to \$249,999.99	1.50%
\$250,000-\$999,999.99	1.25%
\$1,000,000-\$1,999,999.99	1.00%
\$2,000,000-\$4,999,999.99	0.75%
\$5,000,000 and up	0.50%

**Table 2--Interlake Allocation Fees**

<u>Household Assets*</u>	<u>Marginal Fee**</u>
Up to \$249,999.99	1.00%
\$250,000-\$499,999.99	0.75%
\$500,000 and up	0.50%

\*Interlake defines a household as any number of people sharing a residence *or* members of the same nuclear family regardless of residence.

\*\*Marginal fees apply to the assets in each range and each category. For a household with \$500,000 in the Allocation Portfolios, for instance, the first \$249,999.99 would be subject to a fee of 1.0%, with the next \$250,000.01 subject to a fee of 0.75%. For households with multiple accounts in a given category (e.g., two IRAs and a joint account), an average fee will be calculated on the basis of total household assets in that category, with that average fee applied to all household accounts in that category.

**Table 3--Interlake Retirement Plan Fees**

<u>Plan Assets</u>	<u>Annual Advisory Fee***</u>
Up to \$4,999,999.99	0.50%
\$5,000,000 to \$9,999,999.99	0.45%
\$10,000,000 to \$24,999,999.99	0.40%
\$25,000,000 to \$49,999,999.99	0.35%
\$50,000,000 to \$99,999,999.99	0.30%
\$100,000,000 to \$249,999,999.99	0.25%
Over \$250,000,000	0.20%

\*\*\*Unlike Interlake's private client fee schedules, the firm's retirement plan fees are not marginal. For a plan in a given asset range, the relevant fee applies to *all* assets in that plan. For example, a plan with \$7,000,000 in assets would be assessed annual fees of 0.45% on all plan assets.

### Minimum Household Size and Annual Fee Minimums and Maximums

Rather than impose arbitrary asset minimums, we have established minimum annual *household* fees: \$1,000 for the Interlake Allocation Portfolios and \$2,500 for the Interlake Alpha Portfolios. Due to attractive economies of scale in our Allocation Portfolios, we have capped the annual fee for that discipline at \$10,000 per household. Generally, we recommend *account* minimums of roughly \$50,000 for our Allocation Portfolios and \$150,000 for our Alpha Portfolios.

### Negotiability of Fees

To ensure the equal treatment of all clients, Interlake's fees are generally not negotiable, though we reserve the right to negotiate fees for unusually large accounts.

### Billing Process

Interlake bills client accounts for a given quarter on the first business day of that quarter by applying one-fourth of the applicable annual fee to the closing market value on the just-concluded quarter's last trading day. An account billed on the first business day of January, for example, applies one-fourth of the appropriate household rate to the account's market value on the last trading day of December.

Interlake has three billing cycles (A, B, and C), with Cycle A accounts billable on the first of January, April, July, and October, Cycle B accounts billable on the first of February, May, August, and November, and Cycle C accounts billable on the first of March, June, September, and December.

When an account is first placed under Interlake's management, billing begins on the first business day of the following month, unless the account is open and funded on the first business day of the month, in which case Interlake bills the account on that day. For accounts added to the Interlake book of business on any day other than the first of the month, billing for that month is pro-rated by the number of trading days remaining in the quarter that began in that month divided by the quarter's total trading days, with the resulting pro-rated fee applied to the initial value of the account on the first day of Interlake's management thereof.

If an account is fully removed from Interlake's management during a billing quarter, the already-billed quarterly fee is pro-rated on the same basis as specified in the preceding paragraph and the difference between the assessed fee and the pro-rated fee is refunded promptly to the client. Clients may close accounts at any time, upon written notification of Interlake Capital Management, LLC, without penalty.

As noted in the second footnote to **Tables 1 and 2**, for households with multiple accounts (e.g., two IRAs and a joint account), the applicable fee in each category (Alpha and Allocation) is calculated on the basis of total household assets in that category, with that fee applied to each account. For example, a couple with two IRAs, each worth \$250,000, and one joint taxable account worth \$500,000 would see each account billed at the \$1,000,000 household rate, assuming all the assets are invested in one of Interlake's two disciplines.

Given the different fees and thresholds for the Alpha and Allocation portfolios, marginal household assets in one category do not affect fees assessed in another category. In other words, additional assets in a given category—Alpha or Allocation—benefit from lower marginal fees when a household crosses Interlake's asset thresholds *in that category*.

We believe the fees described above are reasonable in light of industry standards, the firm's experience and expertise, and the services delivered. Though Interlake seeks to set itself apart as a low-cost provider of advisory services, it might be possible for clients to procure similar services elsewhere at lower expense.

### **Types of Clients**

Interlake offers investment advisory services to individuals, trusts, estates, charitable organizations, businesses, and pension plans.

### **Types of Securities**

Interlake provides investment advice on the following types of securities: exchange-listed, over-the-counter, and foreign-issuer securities; corporate debt securities; municipal securities; United States government securities; and mutual fund shares.

### **Methods of Analysis, Sources of Information, and Investment Strategies**

Interlake uses a combination of technical and fundamental methods to assess risks and opportunities in the capital markets. Fundamental data help us identify companies, industries, and sectors with compelling financial characteristics. Technical data help us identify securities with attractive supply-demand characteristics.

Throughout our investment process, we review numerous sources of information: financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; corporate rating services; annual reports, prospectuses, and filings with the SEC; and company press releases.

Interlake seeks to invest in securities with a 12- to 18-month time horizon, both to realize preferable tax rates on long-term capital gains and to manage trading expenses. We may sell securities that meet our appreciation objectives or experience unfavorable fundamental or technical developments in shorter time spans. Our principal focus is to invest our clients' funds to achieve long-term capital appreciation.

From time to time, and where suitable to client circumstances and preferences, we may use short sales, margin transactions, covered option writing, or option purchases.

### **Education and Business Standards**

Interlake Capital Management, LLC, requires any officer or employee who determines or gives investment advice to clients to demonstrate clear command of the firm's investment discipline, its principles and implementation, and its suitability for clients. Interlake takes its fiduciary responsibilities very seriously, and ensures to the maximum possible extent that its professionals meet high standards of financial sophistication as evidenced by education and/or experience.

### **Education and Business Background**

#### **Kevin S. Price Chief Investment Officer**

Born	1973
Education	University of Puget Sound, B.A., <i>Summa Cum Laude</i> , 1995 University of Wisconsin-Madison, M.A., 1998 University of Wisconsin-Madison, Ph.D., 2002
Background	Chief Investment Officer, Interlake Capital Management, 2007-present Financial Advisor, Merrill Lynch & Co., 2004-2005 Assistant Professor, University of Washington, 2002-2004 Lecturer, University of Wisconsin-Madison, 2000-2001 Research Associate, Harvard Business School, 1996-1997

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

From time to time, Interlake's officers invest alongside the firm's clients, both to align the interests of firm personnel and firm clients and as an expression of confidence in our portfolio management efforts. In order to ensure that Interlake personnel never "trade ahead" of their clients, the firm requires all trading in specific positions for officer and employee accounts to come *after* the analogous trades are executed for client accounts. Given that the firm may establish (or close) client positions in particular securities over multiple trading days, Interlake's prohibition on trading ahead refers not only to intraday sequence but across days as well, sometimes even weeks. Firm personnel communicate freely and frequently among themselves in order to ensure the application of these important restrictions.

The Interlake Code of Ethics is straightforward: Do the right thing, always, for every client. This principle implies mutual respect, empathy, and a deep commitment to the firm's fiduciary responsibilities. This code is available upon request and in several Interlake publications.

### **Conditions for Managing Accounts**

Rather than impose arbitrary asset minimums, we have established minimum annual *household* fees: \$1,000 for the Interlake Allocation Portfolios and \$2,500 for the Interlake Alpha Portfolios. Due to attractive economies of scale in our Allocation Portfolios, we have capped the annual fee for that discipline at \$10,000 per household. Generally, we recommend *account* minimums of roughly \$50,000 for our Allocation Portfolios and \$150,000 for our Alpha Portfolios.

### **Review of Accounts**

Individual accounts are reviewed daily by Interlake's Chief Investment Officer. This process is facilitated in part by the fact that Interlake runs model portfolios, not unique accounts for each household. Certain clients may impose restrictions on their holdings. In accommodating those restrictions, we evaluate any resulting differences between a specific account and the firm's model portfolios very closely. All accounts are monitored on a portfolio management system that provides current and comprehensive information concerning account performance, asset allocation, and the progress of individual positions in the portfolio.

Account review is a routine firm function, but it can be triggered or intensified by unexpected performance, shifting market conditions, or changing client preferences or circumstances. In both routine and unusual circumstances, the central purpose of Interlake's review process is to ensure that the firm's clients understand both *what* and *how* their accounts are doing. An additional purpose is to ensure the suitability of Interlake's investment discipline for all clients.

Clients receive quarterly statements for each of their investment advisory accounts. Upon request, clients may receive reports more frequently, and may, in all cases, access comprehensive account information using our custodian's Internet resources. Clients may opt in or out of duplicate confirmations from the trade-executing broker. In addition to these written or formal methods, Interlake communicates with clients frequently—by e-mail, postal mail, telephone, and in person—concerning their accounts and personal and financial circumstances.

### **Investment and Brokerage Discretion**

Interlake manages client accounts on a discretionary basis. The firm's discretion in portfolio management is constrained by the broad contours of our investment discipline, which precludes style drift and ensures a prudent measure of risk management. Specifically, in the context of Alpha Portfolios containing 12 to 20 positions, Interlake's portfolio manager may not own equities in fewer than five of the 10 S&P sectors and may not hold more than 30% of the portfolio in a single S&P sector. The firm makes short-term exceptions to these rules only for accounts in which funds have recently posted and portfolio positions are in a state of temporary transition.

Interlake uses TD Ameritrade Institutional as its custodian for private client assets. The firm has chosen this custodian on the basis of its reasonable, straightforward commission structure, integrity, and financial stability. Interlake benefits from certain services and information provided to the firm by TDA Institutional, but we do not have discretion as to the commissions our clients pay.

As a function of Interlake choosing TD Ameritrade Institutional as the custodian for its private clients' assets, the firm enjoys access to certain research reports to which we might not otherwise have access. The availability of these reports is in no way a function of the number or type of trades the firm executes on behalf of its clients. Interlake receives no cash benefits or equipment from TD Ameritrade Institutional.

### **The Interlake Capital Management Privacy Notice**

As required by the Gramm-Leach-Bliley Act of 1999, Interlake Capital Management, LLC, has adopted policies in order to safeguard the personal information of the firm's clients, their families, their businesses, and other related entities. The following policy, which also applies to former clients, was adopted in part to comply with Regulation S-P as effected by the SEC.

Interlake's client relationships are deeply personal. We assist our clients with the management of private wealth. As an Interlake client, you entrust us with detailed personal information concerning yourself, your family, your investments, your business, and your estate and financial planning. Maintaining the security of confidential client information is a top priority for Interlake. This privacy notice explains the firm's collection, use, retention, and disclosure of information about you and others in your household.

### **How We Gather Information**

In order to deliver suitable investment advice and fulfill the firm's fiduciary duties, Interlake necessarily collects and stores or archives detailed information about the firm's clients. The types of information we collect include, but are not limited to: names; residential, postal, and business addresses; phone numbers and e-mail addresses; Social Security numbers, including those of family members; detailed financial information including income, tax status and history, net worth data, and asset lists; insurance and estate planning documents; and other personal, household, and business information.

To develop and deliver a suitable investment management program, Interlake gathers information from a combination of the following sources: client profile forms; bank, brokerage, and trust account statements; financial and estate planning documents; interviews with you, with members of your household, and with trusted advisors such as your accountant, attorney, financial planner, estate planning professional, or broker; transactions we execute on your behalf; and information we receive from you in written, telephonic, or electronic form.

### **Our Client Privacy Policy**

Interlake serves as a fiduciary for its investment management clients. In that important capacity, we protect personal information by maintaining physical, electronic, and procedural safeguards that meet or exceed applicable law. We do not sell, share, or divulge confidential information pertaining to Interlake clients to any unaffiliated third party except as outlined in the three categories below. We do disclose, as permitted by law, certain information described above for the purposes outlined below.

### **Disclosure of Information Required to Conduct Business of Clients' Behalf**

In the normal course of conducting business for you and acting as a fiduciary on your behalf, we must necessarily share or disclose some data about you to custodial organizations (which typically also possess detailed information about you as their client), brokerage firms we may select to execute transactions on your behalf, clearing agent firms, and law firms pursuing shareholder class action suits. These organizations have their own privacy and client confidentiality obligations and procedures. You should understand that we would be unable to conduct business on your behalf without disclosing certain limited information about you and your account(s) to these affiliated and unaffiliated third parties.

### **Disclosure of Information With Your Consent**

In the normal course of Interlake's business, clients routinely ask firm personnel to provide confidential information concerning profit and loss records, asset cost bases, portfolio market value, &c., to accountants, attorneys, and other financial professionals such as planners and brokers. Interlake is always pleased to comply with such requests, but we ask that clients provide written or electronic confirmation of their requests in order to ensure that the release of confidential data complies with the spirit and letter of Regulation S-P.

### **Disclosure of Information to Legally Empowered Regulatory Entities**

Interlake Capital Management is subject to registration requirements with the State of Wisconsin. Regulatory authorities are empowered by law to perform certain audit functions to ensure that Interlake complies with federal, state, and local laws governing Registered Investment Advisors. In the course of performing such audit functions, regulatory authorities may request information concerning Interlake's clients. In complying with such requests, we take all possible steps to ensure that client information is protected and not removed from Interlake's offices in any form where it might become subject to public disclosure under applicable state and federal laws. Interlake may also be required to provide information about you without your consent, as permitted by law, to respond to a subpoena or court order or in connection with a proposed or actual sale, merger, or transfer of ownership of our firm. As always, you should not hesitate to contact us with any questions or comments concerning this Privacy Notice or the policies, practices, and procedures it describes.

### **Interlake Client Recordkeeping Policies**

All Interlake Capital Management clients use a custodial brokerage firm to hold their securities and cash. Any such custodian holds securities, collects (and reinvests, if applicable) dividends and interest, makes disbursements, processes deposits, and handles other routine back-office functions. All custodians track account activity using proprietary technology and provide regular account statements to clients, unless a client declines such regular statements.

Interlake also tracks client account activity using software provided by our primary custodian. When a client establishes a new account or set of accounts with Interlake, we make a concerted effort to determine the cost basis of the client's current portfolio positions. This information is often provided by clients themselves or their accountant, broker, or financial advisor. Insofar as Interlake depends on third parties to provide accurate cost bases, the firm is not always able to provide clients with complete and accurate capital gain and loss information if and when positions are subsequently liquidated.

As part of the portfolio management process, Interlake tracks various "corporate actions" such as spinoffs, stock splits, tender offers, &c. The firm makes a concerted effort to maintain accurate account records to provide precise data concerning portfolio performance and tax implications.

From time to time Interlake receives notice of class action settlements with companies whose stock or bonds we have purchased for client accounts. If Interlake purchased the security in question, we assume the responsibility of filing for appropriate recovery on behalf of our clients. If we learn of a suit or settlement concerning securities not purchased by Interlake, but prior to entering into a contract with the client, the client bears the responsibility of filing for recovery. If a client cancels our contract and terminates our advisory relationship, Interlake will no longer be obligated to file for recovery on the client's behalf.

Interlake and most custodians accept client instructions, authorizations, and notifications sent by electronic mail. One important exception is that we require signed, original copies of any account transfer forms.