

# IMS Capital Management, Inc.

## IMS INVESTORS CHOICE Brochure

### **Portland Headquarters**

8995 SE Otty Road  
Portland, Oregon 97086  
Phone: (503) 788-4200  
Fax: (503) 788-4100

### **Kirkland**

25 Central Way, Ste. 200  
Kirkland, Washington 98033  
Phone: (425) 739-4700  
Fax: (425) 739-4799

### **Eugene**

450 Country Club Road, Ste. 325  
Eugene, Oregon 97401  
Phone: (541) 683-5800  
Fax: (541) 683-2025

**This brochure provides clients with information about IMS Capital Management, Inc. (hereinafter IMS) and the IMS Investors Choice Program that should be considered before becoming a client of the IMS Investors Choice program. This information has not been approved or verified by any government authority.**

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## **General Information**

IMS Capital Management, Inc. (hereinafter “IMS”), offers the following wrap-fee program, where appropriate, to interested prospects and advisory clients. IMS, a corporation organized under Oregon law, is a registered investment advisor. IMS maintains its principal office at 8995 SE Otty Road, Portland, Oregon 97086. If you have questions regarding the material contained herein, please contact IMS at (503) 788-4200.

## **Description of IMS Investors Choice Wrap Fee Program**

IMS is the sponsor and manager of the IMS Investors Choice Program (hereinafter the “IMS Program”). A “wrap-fee” program is one that provides the client with advisory and brokerage execution services for one all-inclusive fee. The client is not charged separate fees for the respective components of the total service. IMS and its Investment Advisor Representatives actively solicit advisory clients for the Program. IMS is also responsible for the marketing of the Program.

Currently the IMS wrap fee program is available for brokerage accounts held at Fidelity Investments and TD Ameritrade. IMS and the client mutually agree on the investment strategy used by IMS to manage the wrap fee account.

In the IMS Program, Investment Advisor Representative (hereinafter “IAR”) of IMS will continuously monitor client portfolios based on the individual needs of the client. At the time of the client’s initial investment in the IMS Program, the IAR will assist the client in determining the client’s current financial situation, financial goals and attitudes towards risk. This determination will allow the IAR to review the client’s situation and determine an appropriate asset allocation.

Once an appropriate asset allocation is determined with a client, the IAR will manage the client accounts on a discretionary basis. Managed client assets may consist of common stocks, preferred stocks, exchange traded fund and no-load or load-waived mutual funds in client accounts. The portfolio manager will make changes to a client’s account based on market, economic and political circumstances, and the individual characteristics of securities.

By recommending the IMS Program to clients, IMS is recommending the services of Fidelity Brokerage Services and/or TD Ameritrade. Clients who decide to participate in the IMS Program are also choosing the brokerage services of Fidelity or TD Ameritrade.

Pursuant to contractual authority from the client, IMS will execute all securities transactions in client accounts without separate commission costs. Participation in the IMS Program requires the appointment of either Fidelity Brokerage Services or TD Ameritrade as broker. Fidelity’s and TD Ameritrade’s execution procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. Clients should consider whether or not the appointment

of Fidelity or TD Ameritrade as the sole broker may or may not result in certain costs or disadvantages to the client as a possible result of less favorable executions.

IMS may trade with other broker/dealers in order to achieve best execution, obtain a wider variety of issues or take advantage of favorable mark-ups or mark-downs available elsewhere.

No agency cross transactions or principal transactions by IMS may be used in the IMS Program accounts.

The client should consider that, depending upon the level of the wrap-fee charged by IMS, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the agreement, and other factors, the wrap-fee may or may not exceed the aggregate cost of such services if they were to be purchased separately. Also the IAR who recommend this program to the client receives compensation as a result of the client's participation in the IMS Program, this amount may be more than if the client participated in another program or if the client paid separately for investment advice, brokerage and other services. The IAR may therefore have a financial incentive to recommend the IMS Program over other programs or services.

IMS will ensure that client has reasonable access to the IMS professional managing the client's account. Since IMS is both the sponsor of the program and the manager all information given to IMS will be available to the manager. IMS does not review portfolio performance for wrap-fee accounts.

Advisor participates in the TD AMERITRADE Institutional program. TD AMERITRADE Institutional is a division of TD AMERITRADE, Inc. ("TD AMERITRADE") member FINRA/SIPC. TD AMERITRADE is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. TD AMERITRADE offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD AMERITRADE through its participation in the program.

## Fee Schedule

IMS Investors Choice program charges a single asset-based fee for advisory services, which include the cost of executing securities transactions (Fig. 1). There is no separate charge for brokerage commissions; however, clients normally will be charged any mark-ups or mark-downs with respect to fixed income securities and other fees as described in the section entitled “Brokerage Commissions” on page 5. In certain circumstances, all of IMS’ fees may be negotiable.

Total Value of Assets Under Management per Account			Annual Management Fee
\$0	-	\$500,000	1.65%
\$500,001	-	\$1,000,000	1.35%
\$1,000,001	-	\$5,000,000	1.15%
\$5,000,001	-	\$25,000,000	0.90%
\$25,000,001	-	\$50,000,000	0.75%
\$50,000,001	-	+	0.65%

(Fig. 1)

## Brokerage Commissions

In addition to the advisory services provided to clients, the IMS Program’s quarterly fee also includes execution of securities transactions through Fidelity Brokerage Services or TD Ameritrade. Clients are required to establish accounts through either TD Ameritrade or Fidelity. Client’s funds and securities are held at either Fidelity or TD Ameritrade which are non-affiliated with IMS Capital Management.

The wrap fee does not include: (i) annual account fees or other administrative fees, such as wire fees, charged by Fidelity or TD Ameritrade; (ii) underwriting or dealer concessions or related compensation in connection with securities acquired in underwritten offerings; (iii) certain odd-lot differentials, transfer taxes, transaction fees mandated by the Securities Act of 1934, postage and handling fees, and charges imposed by law with regard to transactions in the client’s account; and (iv) advisory fees and expenses of mutual funds (including money market funds), ETFs, closed-end investment companies or other managed investments, if any are held in client’s account.

When IMS acts as the client’s agent in purchasing securities (except in purchases in underwritten offerings other than for open-end mutual funds), the client should be aware that the quarterly fee does not cover certain cost associated with securities transactions in the over-the-counter market where IMS must approach a dealer or market maker to purchase or sell the security. Such costs include a mark-up, mark-down or spread and odd lot differentials or transfer taxes imposed by law.

A client may transfer securities into a wrap fee account on which the client previously has paid a brokerage commission or similar fee for the purchase of those securities. The

wrap fee will be applied to such securities even though a commission or fee previously has been paid by the client. In some cases, a client may have paid commission for the purchase of the securities. Prior to affecting such a transfer, the client should consider whether it is appropriate to make such a transfer and should consult IMS prior to doing so.

## **Proxy Voting**

For all IMS Program accounts, the client should know that IMS will not vote any proxies for securities or exercise voting rights pertaining to investment in a client's account (including without limitation matters relating to conversions, exchanges, mergers, stock splits, rights offerings, recapitalizations and reorganizations). IMS also will not act for clients in any legal proceedings, including bankruptcies or class actions, involving securities held or previously held by a client's account. It is the client's responsibility to vote any proxies for securities, exercise voting rights, or take any legal actions pertaining to investments in his or her account. Ordinarily, the custodian will forward proxies or other communications pertaining to investments in client's account to client. Client should contact IMS if he or she does not receive proxies or other mailings pertaining to the investments in the account.

Client also should understand that IMS will not be responsible or liable for TD Ameritrade or Fidelity failing to send proxies or related communications on a timely basis.

## **Certain Conflict of Interest**

Because IMS may receive more compensation from a client from the client's participation in the IMS Program than if the client received advisory services and brokerage services separately, IMS may have a financial incentive to recommend the IMS Program to clients over other types of advisory services.

Because of the single fee charged to a wrap-fee account, IMS may be regarded as having a conflict of interest in that it may realize greater profit on a wrap-fee account with a relatively low rate of portfolio turnover compared to other types of accounts, assuming the same level of fees.

IMS advisors may give advice to others that may be different from the advice given to wrap-fee clients.

## **Education and Business Standards**

All persons employed by IMS who advises clients or manage client assets must have met the following business and educational standards:

- Bachelor's degree.
- 5+ years of business experience in finance or accounting with a large corporation or equivalent 4-year degree in finance.

- 5+ years of investment experience in the stock market, actively researching and managing stocks and other securities.
- All federal and state requirements for the registration, licensing and bonding of investment advisors within applicable jurisdictions.

In addition, several members of IMS staff have the following financial and professional designations; CFA (Chartered Financial Analyst) charter member, CMT (Chartered Market Technician), and MS (Master of Science).

## **Education and Business Background**

### **Carl William Marker – President and Principal, IMS Capital Management**

Mr. Marker was born in 1962 and holds a Bachelor of Science degree in psychology, computer & information science from University of Oregon.

Mr. Marker is the founder, president and portfolio manager of IMS Capital Management since its inception in 1988. He has 5 years experience working for large U.S. corporations (General Motors & Mercedes-Benz subsidiaries) in financial systems and 21 years portfolio management experience (stocks, bonds, CD's, commercial paper, LP's, Mutual Funds, Options, REIT's - variable annuities) operating IMS Capital Management.

### **Arthur G. Nunes Jr., CMT – Principal, IMS Capital Management**

Mr. Nunes was born in 1957 and holds a Bachelor of Science degree in aeronautical engineering from Ohio State University. Mr. Nunes is a principal of IMS Capital Management since he joined the firm in 2003. Prior to joining IMS, he worked as a registered representative at RBC Dain Rauscher between March 1995 and June 2003 and at Smith Barney between March 1988 and March 1995. Mr. Nunes is a portfolio manager for the IMS Investors Choice Program.

### **Monte Dean White – Principal, IMS Capital Management**

Mr. White was born in 1954 and holds a Bachelor of Science degree in political science and a minor in economics from Oregon State University. Mr. White does marketing and client service for IMS Capital Management. Mr. White has 25 years experience in the securities industry with IMS, Smith Barney and Piper Jaffrey.

### **Rita Fernandez – Principal, IMS Capital Management**

Mrs. Aguilar was born in 1957 and holds a Bachelor of Arts degree in political science from Western Washington University. Since she joined the firm in 2003, Rita has been a principal of IMS Capital Management and does client services & business development for IMS Capital Management. Prior to joining IMS, she worked as an investment associate for RBC Dain Rauscher between March 1995 to June 2003 and at Smith Barney from March 1988 to March 1995.

### **Steve Haug – Investment Advisor Representative**

Mr. Haug was born in 1970 and holds a Bachelor of Science in business management from Whitworth College. Mr. Haug handles client service for IMS and has 12 years industry experience.

#### **John Olson – Investment Advisor Representative**

Mr. Olson was born in 1964. Mr. Olson handles business development for IMS Capital Management. Mr. Olson had 14 years of industry experience and has worked for Merrill Lynch, UBS PaineWebber and Northwestern Mutual Life prior to joining IMS in 2009.

#### **Other Business**

On occasion IMS also acts as a consultant to pension plans. Also Carl Marker owns Otty Properties, LLC, which is a property management company.

#### **Types of Clients**

IMS caters primarily to affluent individuals and their retirement accounts, family offices and family investment vehicles who seek an approach to capital appreciation by investing in established stocks, exchange traded fund, mutual funds and fixed income. IMS' investment programs are also suitable for institutional investors such as banks and thrift institutions, investment companies, pension and profit sharing plans, trusts, estates and/or charitable organizations and corporations.

#### **Additional Compensation and Benefits**

IMS participates in a referral program with TD Ameritrade and may recommend to clients the broker-dealer with whom IMS has this agreement for custody and brokerage services. There is no direct link between IMS' participation in the program and the investment advice it gives to its clients, although IMS receives economic benefits through its participation in the programs that are typically not available to other retail investor customers of the brokerages. These benefits include: receipt of duplicate client 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 IMS by third party vendors. These benefits received by IMS (or its related persons) do not depend on the amount of brokerage transactions at the various broker-dealers. The broker-dealers may also have paid for business consulting and professional services received by IMS' related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for IMS' personnel to attend conferences or meetings relating to the referral programs or to the broker-dealers' advisor custody and brokerage services generally. Some of the products and services made available by the broker-dealer through the referral program may benefit IMS but may not benefit its client accounts. These products or services may assist IMS in managing and administering client accounts, including accounts not maintained at this broker-dealer. Other services made available by



the broker-dealer are intended to help IMS manage and further develop its business enterprise.

As part of its fiduciary duties to clients, IMS endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by IMS (or its related persons) in and of itself creates a potential conflict of interest, and may indirectly influence IMS' choice of broker-dealers for custody and brokerage services.

IMS may receive client referrals from broker-dealers through its participation in TD Ameritrade AdvisorDirect (the "referral program"). In addition to meeting the minimum eligibility criteria for participation in the AdvisorDirect, IMS may have been selected to participate in the AdvisorDirect based on the amount and profitability to the broker-dealers of the assets in, and the trades placed for, client accounts maintained with the broker-dealers. The broker-dealer offering the referral program is a discount broker-dealer independent of and unaffiliated with IMS and there is no employee or agency relationship between them. TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. No broker-dealer offering the referral programs supervises IMS and the broker-dealer has no responsibility for IMS' management of client portfolios or IMS' other advice or services. IMS pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to IMS "Solicitation fee"). IMS will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by IMS from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred clients and hired IMS on the recommendation of such referred client. IMS will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

IMS' participation in AdvisorDirect creates potential conflicts of interest. The broker-dealer will most likely refer clients through AdvisorDirect to investment advisors who encourage their clients to custody their assets at the respective broker-dealer and whose client accounts are profitable to the broker-dealer. Consequently, in order to obtain client referrals from the broker-dealer, IMS may have an incentive to recommend to clients that the assets under management by IMS be held in custody, and to place transactions for client accounts with the broker-dealers offering the referral programs. In addition, IMS has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in the AdvisorDirect and does not diminish its duty to seek best execution of trades for client accounts.

Clients with separately managed accounts may request that a particular broker process their securities transactions or IMS will suggest brokers. When recommending a broker IMS will consider a number of factors including price and execution for a particular transaction. In the case where a client chooses the broker-dealer for custody and trade execution, there is a possibility that the client may not be able to achieve best or the same execution as the other clients the firm is trading for. Clients using a certain custodian may be given preferential treatment over clients at other custodians. When feasible IMS may group or block various client orders to more efficiently execute orders and receive reduced commission rates. Such block orders may be executed at various prices, and where block orders are not executed in total, IMS attempts to allocate executed trades on a basis which will be fair to clients over time. Clients who choose their own broker may not be able to benefit from blocked trades. IMS considers, among other things, the size of the order, the broker's ability to effect and settle the transaction promptly and reliability, integrity, and financial condition in determining the broker's execution capability.

Generally, in addition to a broker's ability to provide "best execution," we may also consider the value of "research" or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to the firm, and because the "soft dollars" used to acquire them are client assets, the firm could be considered to have a conflict of interest in allocating client brokerage business: it could receive valuable benefits by selecting a particular broker or dealer to execute client transactions and the transaction compensation charged by that broker or dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

The firm's use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities.

As required by Section 28(e), the firm will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TD Ameritrade is reasonable in relation to the value of all the brokerage and research products and services provided by TD Ameritrade. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

"Research" products and services we may receive from broker-dealers may include economic surveys, data, and analyses; financial publications; recommendations or other information about particular companies and industries (through research reports and otherwise); and other products or services (e.g., computer services and equipment, including hardware, software, and data bases) that provide lawful and appropriate assistance to the firm in the performance of its investment decision-making responsibilities. Consistent with Section 28(e), brokerage products and services

(beyond traditional execution services) consist primarily of computer services and software that permit us to effect securities transactions and perform functions incidental to transaction execution. We generally use such products and services in the conduct of our investment decision-making generally, not just for those accounts whose commissions may be considered to have been used to pay for the products or services.

The firm may use some products or services not only as "research" and as brokerage (i.e., to assist in making investment decisions for clients or to perform functions incidental to transaction execution) but for our administrative and other purposes as well. In these instances, we make a reasonable allocation of the cost of the products and services so that only the portion of the cost that is attributable making investment decisions and executing transactions is paid with commission dollars and we bear the cost of the balance. Our interest in making such an allocation differs from clients' interest, in that we have an incentive to designate as much as possible of the cost as research and brokerage in order to minimize the portion that the firm must pay directly.

Although shares of no-load mutual funds can be purchased and redeemed without payment of transactions fees, we may, consistent with our duty of best execution, determine to cause client accounts to pay transaction fees that may be higher than those obtainable from other broker-dealers when purchasing shares of certain no-load mutual funds through TD Ameritrade in order to obtain "research". This research may not be used for the exclusive benefit of the clients who pay transaction fees in purchasing mutual fund shares.

A broker-dealer through which the firm wishes to use soft dollars may establish "credits" arising out of brokerage business done in the past, which may be used to pay, or reimburse the firm for, specified expenses. In other cases, a broker-dealer may provide or pay for the service or product and suggest a level of future business that would fully compensate it. The actual level of transactional business the firm does with a particular broker-dealer during any period may be less than such a suggested level, but may exceed that level and may generate unused soft dollar "credits." We do not exclude a broker-dealer from receiving business simply because the broker-dealer has not been identified as providing soft dollar research products and services, although we may not be willing to pay the same commission to such broker-dealer as we would have paid had the broker-dealer provided such products and services.