

## Item 1: Cover Page

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Brochure Date: March 25, 2014

**This brochure provides information about the qualifications and business practices of Sisung Investment Management Services, LLC (SIMS). If you have any questions about the contents of this brochure, please contact us at 504.544.7700 and/or [info@sisung.com](mailto:info@sisung.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.**

**SIMS is a registered investment advisor. Registration with the SEC does not imply any level of skill or training.**

**Additional information about Sisung Investment Management Services, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## Item 2: Material Changes

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There were no material changes in the last year.

## Item 3: Table of Contents

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## Item 4: Advisory Business

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### 4A. Business Principal Owners

Lawrence J. Sisung, Jr. is founder and Chairman, and 100% owner of SIMS. Mr. Sisung has been providing investment advisory services since 1985 through Sisung Securities Inc, which was succeeded by Sisung Securities Corporation. Eventually, those advisory services and accounts, were transferred to SIMS, an investment advisory company that has been registered with the U.S. Securities and Exchange Commission since 1995. With assets currently totaling over one billion dollars in assets, SIMS provides advisory services to corporations, public institutions and high net worth individuals.

In addition to full time asset managers, SIMS employs an investment committee consisting of previously high ranking government and financial institution officials, and other experts in the fields of business, economics, finance, investments and tax law.

SIMS' portfolio managers focus on creating diversified portfolios with definable and managed risks. Securities portfolios are customized according to your guidelines and needs for liquidity, income, and both current and future expenses.

### 4B. Types of Advisory Services

SIMS provides investment supervisory services by providing continuous and regular supervisory or management services in two ways:

- SIMS has discretionary authority and provides on-going supervisory or management services with respect to your account; or
- SIMS does not have discretionary authority but does have on-going responsibility to select or make recommendations. This includes specific securities or other investments the account may purchase or sell. Furthermore, if such recommendations are accepted by you, SIMS is responsible for arranging or effecting the purchase or sale.

Types of securities used in SIMS' advisory services include:

- |                              |                           |
|------------------------------|---------------------------|
| • Exchange Listed Securities | • Corporate Debt          |
| • OTC Securities             | • Municipal Debt          |
| • Exchange Traded Funds      | • Commercial Paper        |
| • U.S. Government Securities | • Certificates of Deposit |

#### 4C. Individual Needs of Clients

SIMS' investment advice is based on your individual needs. Individual needs can include for example, the nature of your assets, legal, operational, and tax obligations among many other issues. Additionally, our advisory services can be specifically tailored to include any restrictions that you may have regarding securities to be included or excluded in the management of your portfolio. Restrictions could include length of maturities, specific social or industry issues, investment quality, style or class, and many other issues that are meaningful to you. With this information, we will provide continuous and regular supervisory and management services to your securities portfolio.

(Please refer to Item 16 for additional information regarding investment restrictions)

#### 4D. Wrap Fee Programs

SIMS does not sponsor or provide portfolio management for any Wrap Fee Program.

#### 4E. Assets Under Management

Discretionary:	\$1,089,154,698
Non-Discretionary:	<u>\$ 14,194,767</u>
Total Assets:	<u>\$1,103,349,465</u>

**Assets as of: December 31, 2013**

## Item 5: Fees and Compensation

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### 5A. Compensation and Fee Schedules

SIMS is compensated for advisory services in the form of an investment advisory fee that is based on a percentage of assets in your account. While we have determined our fees to be fair and reasonable, management fees are negotiable where your account may have extenuating circumstances affecting the level of our advisory services.

#### ***Strategic Cash Management Fee Schedule:***

- .25% on the first \$50 million
- .20% on the next \$25 million
- .15% on the balance over \$75 million

#### ***Fixed Income Management Fee Schedule:***

- .50% on the first \$25 million
- .35% on the balance over \$25 million

#### ***Equity Management Fee Schedule:***

- 1.00% on the first \$25 million
- .80% on the next \$25 million
- .70% on the next \$50 million
- .60% on the balance over \$100 million

### 5B. Billing and Fee Payment

The specific manner in which fees are charge by SIMS is established in your investment advisory agreement. SIMS will generally bill its fees on a monthly or quarterly basis, in advance or in arrears at your discretion. You may elect to be billed directly for fees or to authorize SIMS to debit fees directly from your account. Management fees will be prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of small contributions and withdrawals).

### 5C. Other Fees and Expenses

SIMS' fees are exclusive of any brokerage commissions, transaction fees, custodial fees, and any other related costs and expenses incurred by you. You may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

(Please refer to Item 12 for additional information regarding Brokerage Practices)

5D. Pre-paid Fees and Refunds

Upon termination of your account, any prepaid and unearned fees will be promptly refunded on a prorated basis according to the number of days remaining in the billing period. These procedures are stated in your investment advisory agreement.

5E. Compensation from the Sale of Securities or Other Investment Products

Not Applicable.

SIMS does not receive payment of sales commissions, mark-ups, or 12b-1 fees on securities that are used in the management of our clients' portfolios.

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

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Not applicable.

SIMS does not charge, nor are we compensated based upon, performance fees.



## Item 7: Types of Clients

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SIMS offers investment advisory services to the following types of clients:

- Individuals
- Trusts, Estates, or Charitable Organizations
- Corporations
- Business Entities
- Hospital Service Districts
- Government Entities
- Non-Profit Entities
- Municipalities

Minimum Account Size:      None

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

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SIMS employs various methods of analysis and investment strategies in an attempt to increase the likelihood of a successful investment outcome. However, each method of analysis and investment strategy bears certain inherent risks.

**Investing in securities involves risk of loss that clients should be prepared to bear.**

### 8A. Methods of Analysis and Risks

#### ***Fundamental Analysis:***

SIMS uses real data to evaluate a security's value. When assessing bonds this method uses economic factors, such as interest rates and the overall state of the economy, and information about the bond issuer, such as potential changes in credit ratings. When assessing stocks this method uses revenues, earnings, future growth, return on equity, profit margins and other data to determine a company's underlying value and potential for future growth. In terms of stocks, fundamental analysis focuses on the financial statements of the company being evaluated.

**Strengths:** Fundamental analysis is good for long term investments based on long term trends. This method will help identify companies and institutions that represent a good value and can uncover securities based on valuable assets, a strong balance sheet, stable earnings and staying power. Additionally, a thorough understanding of the security is developed through research and analysis of revenues and profits that drive a company.

**Risks:** This method can be extremely time consuming and can produce valuations that are contradictory to current prices in the market. Also, valuation techniques can vary depending on the industry group and specifics of individual securities. Fair value is based on assumptions. Any changes to growth assumptions can greatly alter the ultimate valuation.

#### ***Technical Analysis:***

SIMS uses technical analysis as a method of evaluating securities by analyzing statistics generated by market activity. This activity can include past price valuations and volume of the security traded. The intrinsic value of the security is not measured here, but rather analysis includes the use of charts and other tools, or programs to identify patterns that can indicate future activity.

**Strengths:** When attempting to forecast the future value of a security, it is logical to focus on price movements. Technical analysis can indicate price movements that usually precede fundamental developments. By focusing on price action, technicians are ultimately focusing on the future. This method uses the open, high, low and close when

analyzing the price action of a security. Together, these prices can reflect forces of supply and demand for the security. Chart analysis can identify support and resistance levels. When prices move outside of this range, it can signal that either supply or demand has started to gain the upper hand.

**Risks:** As with fundamental analysis, technical analysis can be subjective and reflect personal bias. Technical analysis is open to interpretation and can result in two analysts forecasting different scenarios or seeing different patterns while looking at the same chart or data. This method has been criticized for being late, as by the time the trend is identified, a substantial portion of the move has already taken place.

### ***Cyclical Analysis:***

Cycles exist in the economy, nature and the financial markets. The basic business cycle encompasses an economic downturn, bottom, economic upturn and a top. Cycles are a part of technical analysis and cycle theory asserts that cyclical forces, both long and short, drive price movements in the financial markets.

**Strengths:** Price and time cycles can be used to anticipate turning points. Lows are normally used to define cycle length and then project future cycle lows. Cycles can indicate the price trend of a security over a period of time including support and resistance levels.

**Risks:** Cycles change over time and even disappear at times. Trends disappear when markets move into a trading range and reverses when prices change directions. Although cycles can provide a direct hit at times, some cycles miss, disappear or even invert. It is important to use cycles in conjunction with other aspects of technical analysis. Combining cycles can sometimes assist in attempting to reduce risk, however there is a random variance within cycle trends that can't be predicted.

## **8B. Investment Strategies**

SIMS' investment committee meets regularly to consider factors that will impact investment strategies. These factors include individual security characteristics as well as the economic outlook, monetary conditions, the political environment, equity and fixed income market conditions, and research on industry groups and sectors. SIMS employs an investment strategy combining a wide array of investment information, market analysis, and fundamental and technical security analysis when selecting securities for client portfolios.

The investment strategy employed in the management of your portfolio will be defined by:

- Risk temperament
- Time horizon
- Liquidity needs
- Objectives
- Goals, and
- Investment restrictions, if any

Based on these parameters, SIMS will develop an investment strategy for the prudent management of your assets.

SIMS' Investment Strategies:

- Strategic Cash Management provides active management of excess cash held in your account. Where safety and liquidity are your foremost objectives, this program strives to seek higher returns than those typically available from passively managed short term investing.

Our approach is driven by the cash needs forecast of each our clients. Using this forecast, SIMS strives to select investments which are long enough in maturity to generate additional return, while short enough to meet the client's cash needs. We also consider economic and interest rate trends and may make shorter term investments that will mature and be reinvested again at higher rates in the future. Our approach is tailored to each client's cash needs, and investments are dynamically changed over time as a client's cash needs change. We rely heavily on short term treasury and agency securities due to their safety and liquidity. We also supplement with purchases of high grade municipal securities in order to increase returns.

- Fixed Income Management provides ongoing management of long term fixed income investments. Where safety and income are your foremost objectives, this program strives to generate higher returns over the long term than those typically available from passive fixed income indices.

Our approach involves the use of fundamental, technical and cyclical analysis with respect to individual securities and market interest rates. Driven primarily by economic outlook and interest rate forecasts, our primary strategy is to manage the duration of the portfolio. We primarily use a buy-and-hold and reinvest approach, but we may also actively buy-and-sell specific securities based on the need to rebalance the portfolio or individual circumstances. Depending upon the risk tolerance of each investor, we primarily use treasury and agency securities supplemented by high grade municipal securities to increase returns where available. We may also shorten or lengthen the overall term of the portfolio based on each client's needs and tolerance for changes in portfolio value.

- Equity Management uses a strategic combination of the following primary characteristics:
  - Diversification
  - Financial Strength
  - Growth
  - Liquidity

Strong fundamental research is a must in equity management and begins with an assessment of the overall economic environment and a subsequent general asset allocation. Our managers will consider many factors affecting individual companies, including financial health, products, supply and demand, and other aspects of a company's performance over a given period of time.

SIMS applies the results of this research to the development of portfolios that are expected to perform well over the projected market cycle, while maintaining a risk level consistent with your objectives. Our equity managers constantly monitor the market and each security's position, and will reposition your portfolio accordingly in keeping with your objectives.

#### 8C. Primarily Recommended Security and Risks

##### ***Municipal Securities:***

Municipal bonds are a creditworthy investment vehicle that can at times offer returns superior to treasury and agency securities. The municipal bond market is unique in that it involves an enormous multitude of different issuers and credit structures. Successful investing in municipal securities requires the ability to evaluate the creditworthiness and value of each security.

SIMS' affiliate Sisung Securities Corporation (SSC) is a broker dealer which has been actively engaged in municipal securities business since 1985. SSC serves as underwriter or financial advisor on new issue municipal bonds and has developed significant expertise in the structuring and credit analysis of municipal bonds. SSC's municipal securities professionals sit on SIMS' investment committee and oversee the selection of all municipal securities for SIMS' clients.

## Item 9: Disciplinary History

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- 9A. Not Applicable
- 9B. Not Applicable
- 9C1. Not Applicable
- 9C2(i). Not Applicable
- 9C2(ii) Not Applicable
- 9C2(iii). Rule Violation

Sisung Securities Corporation (SSC) is a broker/dealer firm and an affiliated company of SIMS. SSC is registered with a self regulatory organization called the Financial Industry Regulatory Authority (FINRA) which exists to enforce rules and procedures established to protect and benefit the general public with regards to investing in the securities markets.

FINRA rule G-37 prohibits broker/dealers, or their affiliates, from making political contributions to individuals that are in a position to “award” business to these companies on behalf of public institutions, municipalities, or other governmental entities. The rule says that if contributions beyond those allowable by the rule are made to such individuals, then the broker/dealer would not be allowed to do business with that entity for a period of two years from the date of the contribution. However, political contributions are allowed to certain individuals that are not in a position to facilitate such “awards”, and would have no bearing on compliance with the rule.

Affiliates of the firm SSC made legal political contributions to several Louisiana state officials, a small number of whom sat on the Louisiana Bond Commission (BC). Prior to making any of these contributions, SSC hired private legal counsel to investigate the legality of making these contributions as it related specifically to stipulations in the FINRA rule. It was determined that while the Louisiana state constitution requires the debt of all Louisiana municipalities to be reviewed by the Louisiana bond commission for legality and financial feasibility, the bond commission had no authority or functionality in the “awarding” of municipalities’ business to broker/dealer firms. Therefore, contributions by SSC affiliates would not be considered to violate rule G-37. Based on this legal opinion, certain contributions were made by SSC affiliates.

FINRA, at that point in time named the National Association of Securities Dealers (NASD), took the position that the contributions invoked a 2 year ban on municipal business by SSC for all LA municipalities. NASD believed SSC to be in violation of the rule for participating in municipal underwritings within the two year period of the contributions.

The Securities and Exchange Commission (SEC) disagreed with the NASD in a final action and found no evidence that the contributions actually influenced the awarding of municipal securities business and that there were no violations of the provisions of rule G-37.

In a related matter, the SEC held that SSC did violate recordkeeping and reporting requirements for what the NASD hearing panel found as “Good Faith” and “Non-Egregious” violations. While, the affiliates of SSC did document and maintain files of the contributions, ultimately it was determined that these records should have been maintained in duplicate files with both the affiliate company and SSC.

SSC continues to believe it complied with the FINRA rules as written. With regards to the recordkeeping violations, the SEC recognized the NASD’s finding of the “Absence of culpable intent, the aberrant nature of the firm’s misconduct and the firm’s regulatory cooperation to be mitigative.”

Rather than appeal the “Non-Egregious” recordkeeping violation, SSC and Lawrence J. Sisung, Jr. each agreed to pay a \$10,000.00 fine.

Firm: Sisung Securities Corporation, a registered broker/dealer, and affiliated company of SIMS  
CRD #25752

Date Initiated: 7/11/03

Case #C05030036

Date Resolved: 11/5/07

## Item 10: Other Financial Industry Activities and Affiliations

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### 10A. Management Persons Registered with a Broker/Dealer

Sisung Securities Corporation (SSC) is a FINRA registered broker/dealer doing business since 1985, and is an affiliated company of SIMS. SIMS has several management persons/investment committee members that are also registered with, or employees/investment committee members of, SSC. These management persons include:

- Lawrence J. Sisung, Jr.
- Lawrence J. Sisung, III
- R. Lane Sisung
- Richard L. Solares
- Stephen F. Bowes
- John E. Mayeaux
- Kent M. Schexnayder

### 10B. Management Persons with Futures or Commodities Registrations

Not Applicable.

### 10C. Material Relationships

As a broker/dealer, SSC maintains a Capital Markets department that assists issuers in bringing to market new issues of corporate and municipal bonds. SSC may act in a capacity as underwriter, financial advisor, or financial consultant. These securities are generally sold to mutual funds, corporations, insurance companies, banks, and individuals.

A potential conflict of interest would be that SSC, as broker/dealer, could sell securities to SIMS as a means to place or distribute certain new issues. In order to prevent any such conflict of interest from occurring, it is SIMS' policy to not purchase any new issue of securities in which SSC is involved in any capacity without the prior consent of our clients. However, subsequent to the original sale and issuance of the securities in which SSC was involved, SIMS reserves the right to purchase such securities in the secondary market.



Following is a list of SIMS' management persons/investment committee members that have SSC broker/dealer affiliations specifically related to capital markets activities:

- Lawrence J. Sisung, Jr.
- Lawrence J. Sisung, III
- R. Lane Sisung
- Richard L. Solares
- Stephen F. Bowes
- John E. Mayeaux
- Kent M. Schexnayder

10D. Recommending other Advisors to Clients and Receiving Compensation

Not currently applicable.

In limited circumstances in the past, SIMS has served as a marketing/servicing agent for other advisors. In that capacity, SIMS recommended the use of the other advisors to clients and was compensated by the other advisors. SIMS has discontinued this practice marketing or recommending other advisors for new accounts.

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

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### 11A. Code of Ethics

The Code of Ethics adopted by SIMS is designed to comply with Rule 204A-1 under the Investment Advisers Act of 1940.

The Code establishes rules of conduct for all employees of SIMS and is designed to, among other things, govern personal securities trading activities in the accounts of employees, immediate family/household accounts and accounts in which an employee has a beneficial interest. The Code is based upon the principle that SIMS and its employees owe a fiduciary duty to SIMS' clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid:

- i. serving their own personal interests ahead of clients;
- ii. taking inappropriate advantage of their position with the firm; and,
- iii. any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by SIMS continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our firm continues to be a direct reflection of the conduct of each employee.

We will be happy to provide to you a complete copy of SIMS' Code of Ethics upon your request.

### 11B. Material Financial Interest

SIMS generally does not recommend to, or purchase for, its clients any securities in which SIMS, or any related person, has a material financial interest. In certain instances, SIMS may purchase a security for a client account where the executing broker is unable to deliver to the client's custodian. In these infrequent instances, SIMS may request that the broker/dealer deliver securities to SSC, an affiliated broker/dealer company of SIMS. When this occurs, an account is setup at SSC on behalf of the client, and securities are delivered to the client's custodian with no commissions, mark-ups, or additional fees charged to the client.

### 11C. Personal Trading

SIMS has adopted the following principles governing personal investment activities by SIMS' supervised persons:

- The interests of client accounts will at all times be placed first;
- All personal securities transactions will be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility; and
- SIMS personnel must not take inappropriate advantage of their positions.
- No SIMS employee will purchase or sell a security that is being recommended to, or purchased or sold for, a client in such a way that the client is adversely affected. Employees may only execute transactions in securities recommended, purchased, or sold to a client after the execution of the client's order, so as not to benefit from market movements based on client orders. For example, a SIMS employee can only sell after all client sells have been filled; and can only purchase after all client purchases have been filled. The only exception, if applicable, is where an employee may have an account as part of a client program whereby all account orders are executed on a block transaction basis and each account receives an average execution price. Therefore, the employee would not get an execution price that is more favorable than a client.

### 11D. Participation

See 11C Personal Trading

## Item 12: Brokerage Practices

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### 12A. Recommending Broker/Dealers for Client Transactions

SIMS, as a fiduciary to its advisory clients, will endeavor to seek best execution when placing trades for clients. In attempting to achieve best execution, SIMS will not necessarily seek to obtain the lowest commission but rather will seek the best overall qualitative execution.

The following factors are considered in selecting broker/dealers to execute client transactions:

- SIMS Trading Strategies
- Broker/Dealer Performance
- Establish Acceptable Commission Range
- Speed of Execution
- Price Improvement
- Size Improvement
- Commissions
- Overall Execution Quality
- Expertise in a Particular Security
- Financial Condition

Fixed income securities markets are very unique and have varying characteristics based on the specific type of security being traded. As a result, SIMS will utilize the following procedures when selecting broker/dealers to execute fixed income trades for SIMS' client accounts:

- Agency Discount Notes: SIMS will choose the best discount rate on display for the maturity to be filled. SIMS will print and maintain this page as evidence of "best efforts" when purchasing agency discount notes.
- T-Bills, Notes, and Bonds: An electronic platform displays various maturities for treasuries where SIMS is able to request bids and offers from multiple broker/dealers. SIMS accepts the best bid/offer and prints this page for "best effort" records. When unable to execute electronically, SIMS will call 2 or more broker/dealers to obtain quotes which are then written down and attached to the trade ticket. In many cases, and because the spreads are so thin, "best efforts" can be more weighted by acquiring the maturity closest to that desired by the portfolio manager and/or client.
- Agency Bonds (Bullets):
  - "Buy Side" - SIMS will solicit offers for similar securities from at least 3 brokers. A summary of broker spreads is then attached to the trade ticket and maintained as "Best Efforts" records.
  - "Sell Side" - SIMS will solicit bids for a security either via phone, email, or electronically. Bids solicited other than electronically are spread to the closest comparable treasury. In these instances, bids will be attached to the sell side trade ticket as a record of "Best Efforts".

- Municipal Bonds:
  - Buys - Offered yields will be compared to trades reported by the Municipal Securities Rulemaking Board. The SIMS trader or portfolio manager will attach a copy of the trade disclosure worksheet generated from electronically retrieved security data.
  - Sells - SIMS will utilize an electronic trading platform for sales. In the event this is unsuccessful, we may give individual brokers the ability to "work" a trade. We will use prior trade data, and independent security pricing services as a guide in determining price levels.

#### 12A1. Research and Other Soft Dollar Benefits

Not Applicable. SIMS does not currently participate in Soft Dollar arrangements.

#### 12A2. Brokerage for Client Referrals

Not Applicable. SIMS does not currently receive client referrals from broker/dealers that custodian the assets of SIMS' clients.

#### 12A3. Directed Brokerage

Not Applicable. SIMS does not currently participate in any directed brokerage relationships.

#### 12B. Aggregate Purchases and Sales for Various Client Accounts

SIMS may on occasion aggregate the purchase or sale of securities for various client accounts where it is both feasible and practical. Client accounts with similar needs at the same point in time may be grouped into a block trade. Executed trades are then allocated by the portfolio manager based on various factors including:

- Percent or Size of Position Already in Account
- Total Available Dollars to be Invested
- Position, security or quality limitations

## Item 13: Review of Accounts

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### 13A. Periodic Review of Accounts

Portfolio managers and supervisory personnel review all executed transactions in client accounts on a daily basis. Trades are reviewed for:

- Security purchased or sold
- Account in which transaction occurred
- Dollar amount of transaction
- Compliance with investment policy and/or restrictions

In addition, accounts are reviewed at least quarterly by a supervisory employee and by a portfolio manager. Accounts are reviewed for:

- Portfolio mix
- Changes in market value
- Compliance with any investment policy and/or restrictions
- Appropriateness of portfolio strategy, and
- Conformity with account objectives

### 13B. Triggers for other than Periodic Review of Account

Accounts may be occasionally reviewed at random for various occurrences including:

- Upcoming meeting with client
- Random review of portfolio mix
- Change in draw schedules or liquidity needs
- Change in operating or project expenses

### 13C. Portfolio Reports

SIMS will provide to you, on at least a quarterly basis, one or more of the following reports in a hard copy format:

- Portfolio Performance Report
- Portfolio Holdings and Activity Report
- Portfolio Valuation Report

Reports are generally packaged to include information in your account regarding:

- Holdings
- Transactions
- Cash Activity
- Interest and/or Dividends
- Maturity Information
- Performance History

Additionally, you will receive confirmations of all of your securities transactions from the executing broker/dealer as they occur; and statements from your qualified custodian or trustee on at least a quarterly basis.

(Please refer to Item 15 regarding the importance of reviewing all statements received from SIMS and your qualified custodian)

## Item 14: Client Referrals and Other Compensation

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SIMS may enter into a contractual relationship with other investment advisory companies whereby SIMS' role is limited to marketing and client servicing of accounts. SIMS provides no investment supervisory service on the accounts. SIMS receives a percentage of the total management fee collected for Market services and continued client servicing of the accounts.

A marketer/solicitor document executed between SIMS and the investment advisory firm will be provided to the client. SIMS will also provide the client with a copy of the Firm Brochure of both SIMS and the investment advisory firm. Compensation is payable to SIMS quarterly in arrears.

In certain instances, SIMS may enter into a Marketer/Solicitor agreement whereby the Marketer/Solicitor will recommend prospective clients to SIMS. This arrangement provides that the Marketer/Solicitor receives a portion of the investment advisory fee paid by solicited clients to SIMS. The client is provided a copy of the Marketer/Solicitor Disclosure document.

Clients solicited by the Marketer/Solicitors are not charged any amount in addition to the fees that SIMS customarily charges.



## Item 15: Custody

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SIMS does not directly hold or have physical custody of your securities and funds, but only exercises investment advice regarding the purchase and sale of securities in your account. Your assets are held at a qualified custodian such as a bank or broker/dealer.

SIMS' equity managed accounts are held at various qualified custodians. Some clients may have provided authorization for us to instruct their qualified custodian to debit their account, and have their fees sent directly to SIMS. Under the SEC's broad definition of custody, advisors are considered to have custody of client assets even if the advisor is authorized to have the client account debited for payment of fees.

However, where advisors are deemed to have custody only because of this method of payment authorization, certain additional compliance requirements are waived by the SEC. The main intent of the broadened definition of custody is to protect the public from a situation where the advisor has the ability to take funds out of a client account "at will" and the advisor is the only source of providing statements that document and account for the transactions in your account.

You will receive account statements directly from your qualified custodian on at least a quarterly basis. It is important that you review these statements carefully and contact your custodian or investment advisor with any questions. Additionally, you will receive account statements directly from SIMS, as your investment advisor.

**SIMS does reconcile its records with the custodian's statements. However, we would like to remind you that it is prudent and in your best interests to always review and compare all documents you receive from your custodian and/or SIMS.**

## Item 16: Investment Discretion

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SIMS will enter into a written investment advisory contract with you that details the investment authority granted over your account. SIMS provides both discretionary and non-discretionary advisory services. You will be asked whether you desire to grant investment discretionary authority to SIMS.

A discretionary account allows the adviser, at its discretion, to decide:

- when to buy and sell securities for the client;
- what securities to buy and sell for the client; and
- the price to pay or receive for securities bought and sold for the client.

Before discretionary authority is exercised, SIMS will verify that:

- The Investment Advisory Contract contains a provision expressly granting discretionary authority to SIMS or has a Power of Attorney attached to the Contract that grants discretionary authority to SIMS;
- You will be instructed to review the discretionary trading clause or Power of Attorney prior to executing the document(s); and
- The discretionary trading clause in the Investment Advisory Contract or the Power of Attorney will indicate either that full trading authority or limited trading authority has been given. If limited trading authority has been granted, the specific type of limited trading authority, such as the authority to:
  - select the security to be purchased or sold for the account;
  - determine the amount of the security to be purchased or sold;
  - select the time of the transaction; and/or
  - determine the unit price that is to be paid or received.
- The Investment Advisory Contract has been properly executed

You may ask that certain investment restrictions be placed on your account. Investment restrictions must be agreed upon by you and SIMS, and must be clear and specific.

Restrictions are established many times through the use of your Investment Policy Statement (IPS). The IPS should contain the parameters by which the funds in the account can be invested, including but not limited to:

- Investment Objectives
- Risk Tolerance
- Maximum Length of Investments
- Types of Securities
- Quality of Investments, etc.

Where an IPS is not available, SIMS may follow procedures such as, but not limited to:

- Request from you a list of prohibited securities (e.g., Anheuser Busch, etc.);
- Your Restrictions of types of securities should be as specific as possible;
- Confirm whether restriction applies to direct investments only, or indirect investments (such as ETFs) as well;
- Confirm with you whether a minimum threshold of prohibited activities by companies are permissible and, if so, what percentage of that company's revenues or profits may be derived from such activity (e.g., up to 10% of revenues may be derived from the sale of alcoholic products);
- Include a specific contractual provision in the advisory contract addressing prohibited investments that obligates SIMS to make its best efforts to comply with the client restriction and
- Distribute a list of the client restrictions to each portfolio manager managing assets of your account subject to investment restrictions.
- Program SIMS' front-end trading system, where feasible, to block client trades in the prohibited securities.

## Item 17: Voting Client Securities

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SIMS recognizes that the act of managing your assets, when consisting of common stock, can include the voting of proxies. You can either: (i) delegate the power to vote proxies to the advisor; or (ii) retain the authority to vote your own proxy. When you delegate the power to vote proxies in your account, SIMS will vote the proxies in a manner that is in your best interests.

At the inception of each investment advisor-client relationship, SIMS will ask you to indicate whether you or SIMS is responsible for voting proxies in one or more of the following documents:

- Investment Advisory Contract;
- New Account Opening Form; or
- Separate agreement authorizing SIMS to vote your proxies.

If SIMS receives proxies and is not responsible for voting, we will make arrangements with your custodian or take other steps to ensure that you receive such proxies in a timely manner.

Unless the power to vote proxies for your account is reserved to yourself, SIMS is responsible for voting the proxies related to that account.

SIMS will maintain a log, or otherwise create a record, listing the accounts where SIMS exercises proxy voting authority and those accounts where SIMS does not have proxy voting authority. At any time, you may request from your investment advisor a record of how your proxies have been voted.

We recognize that conflicts between SIMS and clients may arise in voting the proxies of public companies and that these conflicts must be addressed. The Chief Compliance Officer (CCO) is responsible for identifying potential conflicts of interest in regard to the proxy voting process. SIMS will use one of the following methods to resolve such conflicts, provided that it results in a decision to vote the proxies that is based on the clients' best interest and is not the product of the conflict:

- provide you with sufficient information regarding the proxy vote and SIMS's potential conflict to you and obtain your consent before voting;
- vote securities based on SIMS' voting policy as set forth in our firm's supervisory procedures manual;
- vote your proxy based upon the recommendations of an independent third party; or
- ask that you engage another party to determine how the proxies should be voted.

You may obtain a copy of SIMS' proxy voting policies and procedures, at any time upon your request.

## Item 18: Financial Information

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18A. Not Applicable.

SIMS does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

18B. SIMS does not hold or custody your securities or funds. SIMS has no discretionary authority over the depositing or withdrawing of securities or funds into or out of your account.

Where you have granted SIMS discretionary authority in your executed investment advisory contract, SIMS has discretion over:

- When to buy and sell securities;
- Which securities to purchase and sell in accordance with investment policy guidelines (where applicable);
- Execution price to pay or receive for securities bought and sold in your account.

18C. Not Applicable.

SIMS has not been the subject of a bankruptcy petition.

## **Item 19: Requirements for State-Registered Advisors**

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Not Applicable.

SIMS is registered with the Securities and Exchange Commission.