

***Item 1 - Cover Page***

**FINANCIAL & INVESTMENT MANAGEMENT GROUP, LTD.**

**FORM ADV – PART 2A INFORMATION**

**May 12, 2015**

Financial & Investment Management Group, Ltd.

111 Cass Street

Traverse City, MI 49684

Phone (231) 929-4500 Fax (231) 995-7999

[www.fimg.net](http://www.fimg.net)

**This brochure provides information about the qualifications and business practices of Financial & Investment Management Group, Ltd. (“FIM Group”). If you have any questions about the contents of this brochure, please contact us at (231) 929-4500. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about FIM Group, including a copy of its Form ADV Part 1, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

***Item 2 - Material Changes To This Brochure Since Its Last Annual Update filed November 20, 2014***

Disclosure related to the potential conflict of interest related to clients of the firm and Common Cents Capital, LLC. has been added to Item 10.

**Item 3****Table of Contents**

<u>Item</u>		<u>Page</u>
1	Cover Page.....	1
2	Material Changes Since Last Annual Update .....	2
3	Table of Contents.....	3
4	Advisory Business .....	4
5	Fees and Compensation .....	5
6	Performance Based Fees and Side-by-Side Management.....	7
7	Types of Clients .....	7
8	Methods of Analysis, Investment Strategies and Risk of Loss .....	8
9	Disciplinary Information.....	10
10	Other Financial Industry Activities and Affiliations.....	10
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	11
12	Brokerage Practices .....	12
13	Review of Accounts.....	12
14	Client Referrals and Other Compensation .....	13
15	Custody .....	13
16	Investment Discretion .....	13
17	Voting Client Securities.....	15
18	Financial Information .....	16
	Privacy Policy .....	17

#### ***Item 4 - Advisory Business***

FIM Group is an investment adviser registered with the Securities and Exchange Commission ("SEC"). It is also notice-filed in various states. The firm provides investment management, investment consultation, financial planning and pension administration services to its clients. FIM Group became registered as an investment adviser with the SEC in October 1988. FIM Group is wholly-owned by the Paul H. Sutherland Revocable Trust, of which Paul Sutherland is the Trustee. FIM Group does not control any other investment advisory firms. The advisory services of FIM Group are described in detail below.

##### **Investment Management Service**

Investment Management Services begin with an initial interview with the client during which data-gathering questions are asked by the FIM Group Representative providing services to determine the client's individual needs, goals and objectives, investment time horizons, and risk tolerance. FIM Group's Representative will then recommend investment strategies, which may include planning for long-range goals (i.e., retirement funding), short-term goals (i.e., funding cash needs) or other investment plans. FIM Group's Representative can implement the investment strategy recommendations accepted by the client. Portfolio management services can be provided on a discretionary basis.

Investments may include long and short-term investment, money market funds, mutual funds, stocks, bonds, or other investment vehicles. Most assets will be valued daily and reviews can occur as often as a client prefers, or as FIM Group Representatives deem appropriate. FIM Group does not guarantee the results of its recommendations and losses can occur by following FIM Group's advice, including conservative investment strategies.

FIM Group assumes that if there have been any changes to a client's financial situation, the client will contact FIM Group to advise of the change as soon as the change occurs. It is important that FIM Group has the most current information about a client so it can determine whether an update to the client's investment strategy is needed. Clients may call the offices of FIM Group at any time during normal business hours to discuss the client's account, financial situation or investment needs with their FIM Group Representative.

Clients will receive transaction confirmations from the brokerage firm processing trades as the trades occur, and statements of account monthly or quarterly, depending on the custodian. Additionally, FIM Group provides its own monthly reports. Clients are encouraged to compare FIM Group reports with information on the custodian's reports.

A client owns each security in the client's account. Clients have the ability to leave standing instructions with FIM Group to refrain from investing in particular securities, invest in limited amounts of securities, to vote proxies and to rebalance their portfolios. FIM Group will direct all purchase and sale orders to the broker designated by FIM Group unless the client designates a broker. FIM Group is not affiliated with a broker and will choose a broker for a client based upon the brokerage firm's quality of service, financial strength, competence and ability to provide trade executions at competitive commission rates. The broker and/or trust company will maintain custody of all account assets and provide such other custodial functions customarily performed with respect to securities brokerage accounts. All brokerage commissions, stock transfer fees and other similar charges incurred by the client's account(s) are paid out of account assets. A current list of transaction fees is available upon request. FIM Group does not receive any portion of these fees. FIM Group receives fees for Investment Management Services from its clients only.

FIM Group as of September 30, 2014 has \$724,115,550 in assets under discretionary management, and \$100,965,874 in assets under non-discretionary management.

#### Investment Consultation Services

In addition to fee-based Investment Management Services, FIM Group provides investment advice through individual Investment Consultation Services offered for an hourly rate or flat fee project rate. Investment Advisory Consultations can be general in nature or focused on particular areas of interest, depending upon the client's needs. For example topics such as investment analysis, retirement funding, cash flow analysis and other subjects can be addressed. The exact services and reports to be provided are determined during the initial consultation with each client.

#### Retirement Plan Administration

FIM Group will assist business accounts with the design, implementation and required filings of pension plans. FIM Group's Retirement Plan Administration staff will meet with the client to decide the appropriate plan type and services to be provided. Some Retirement Plan Administration clients will also chose to utilize FIM Group's Investment Management Services. As needed, FIM Group will handle all Retirement Plan Administration related services, and manage the investment accounts for all plan participants. FIM Group may outsource administration services and will work with client-directed plan administrators. In some situations, FIM Group may utilize outside services for administration. In such cases, clients will made aware of any such arrangements. Along with FIM Group's Retirement Plan Administration staff, FIM Group's Investment Management staff will be available to all plan participants for consultation regarding investment choices available within the plan.

#### Financial Planning

FIM Group also provides Financial Planning Services typically covering several financial issues such as cash management, retirement planning, college funding, estate planning and tax planning, using long-term strategies. FIM Group makes itself available to clients for periodic meetings to monitor planning progress. In providing Financial Planning Services, FIM Group plans for each client's long-term goals. After FIM Group evaluates the client's financial needs, the client's FIM Group Representative will design investment and risk management strategies to help the client achieve his or her financial goals.

Casualty insurance (i.e., homeowners, auto, liability, etc.) is an important coverage that should regularly be reviewed. FIM Group does not review or recommend casualty insurance and clients are encouraged to seek the assistance of a qualified insurance representative of their choice.

#### ***Item 5 - Fees and Compensation***

FIM Group is a purely Fee-Only firm. This means that we are only compensated by the direct fees that we charge our clients, not by commissions for selling and/or recommending products.

All fees paid to FIM Group for Investment Management Services are separate from the fees and expenses charged to shareholders of mutual fund shares. Mutual funds pay advisory fees to their related investment advisers, which payments reduce the net asset value of the Funds' shares. Therefore, when a mutual fund exists in a client's portfolio, the client pays two levels of advisory fees, one directly to FIM Group for its management services and one indirectly to the managers of the funds held in their portfolios. In many cases, the client could invest in the same mutual fund without paying a fee to FIM Group but would then

not have the benefit of the advice, review and monitoring FIM Group provides. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. Clients are encouraged to read each fund prospectus carefully before investing.

#### Investment Management Services Fees

Fees for Investment Management Services are computed as a percentage of the month-end market value of the client's investment portfolio under management (based upon an annual rate) and billed monthly.

FIM Group's standard annualized fee is 1.44% and is normally billed at 0.12% per month on each account's value at the prior month's end.

Specialized Fixed Income Accounts, Specialized Capital Preservation + Accounts, Common Fund Trust Accounts, and other accounts whose management is limited to open-ended mutual funds or annuities, i.e., 401(k) Plans, TSA/403(b)(7) Accounts, etc., will be billed at 50% of normal fees.

Billing invoices are prepared monthly and are based upon the market value of the billable assets in a client's account on the last day of the previous month, and are payable in advance. Payment of fees may be made directly by the client, or with client's advance authorization may also be made to FIM Group by the account custodian by debiting the client's account for the amount of such fees. Clients are able to terminate the written billing authorization or agreement at any time. FIM Group reserves the right to change its fees upon giving clients 60 days' advance written notice. FIM Group further reserves the right to adjust the standard fee for any account(s) under certain circumstances. Fees may, at the discretion of FIM be calculated based upon the total value of related accounts. Fees set forth above may be modified based upon individual circumstances or complexities at the discretion of FIM Group.

As an added service to clients, FIM Group may include in its quarterly report, a summary of assets held in the client's portfolio that are not managed by FIM Group. It is understood that FIM Group makes no warranty as to the value of these assets or their suitability. Such assets are not included in the total billable market value of a client account. However, if desired, FIM Group is available to vote proxies on these non-managed securities or accounts. At client's request, FIM Group can also advise clients regarding mergers and other material events affecting their accounts.

Investment Management Services may be terminated by written notice by either party. If a client terminates the agreement within 21 days of signing it, FIM Group refunds 100% of all prepaid fees.

FIM Group is a global manager that purchases securities in multiple markets throughout the world. Because of this, clients may experience fees related to holding of certain securities, such as ADR fees, local market taxes or other fees related to certain markets. These fees are paid directly from the client account to the custodian.

#### Investment Consultation Service Fees

Fees for Investment Consultation Services are computed at the hourly rate of \$75-\$475, depending upon the complexity of services, level of expertise required and specific situation and requests of the client. The hourly fee is billed to the next 1/60th hour. A flat project fee for Consultations may also be negotiated and will depend upon FIM Group's estimated time to complete the project. Fees for Investment Consultation Services are determined at the time of engagement and are due and payable upon delivery of the services.

Investment Consultation Services may be immediately terminated upon written notice by either party. The client will be invoiced for time incurred by FIM Group to the date of termination.

#### Retirement Plan Administration Service Fees

Standard Record keeping fees are assessed monthly at a standard rate of \$100 per month and \$1 per plan participant per month. This fee includes retirement plan design/review, plan document preparation and amendments, on-going record keeping, on-line access, custody of assets, quarterly participant statements, testing and 5500 tax preparation. Fees could vary if a third party is utilized. Record keeping fees may be waived at management's discretion.

#### Financial Planning Service Fees.

Hourly and flat fees for Financial Planning Services vary and correspond directly to the complexity of the services and reports requested by the client. Fees are determined at the time of engagement and may be waived at management's discretion. Fees for all plans are due upon delivery of the advice or written plan. If client circumstances or objectives change such that a new investment plan is required, there may be an additional charge.

Clients may terminate the Financial Planning Services agreement upon written notice and the client will be invoiced for any portion of time incurred by FIM Group on the development of the Plan prior to termination at an hourly rate of \$75-\$475, as established before service began. Otherwise, Financial Planning Services terminate upon delivery of the advice or written plan. It is the client's responsibility to update his or her financial goals with FIM Group or secure additional services as may be needed. A new Agreement can be executed to secure additional services as needed.

#### Other Compensation

Employees of FIM Group are frequently asked to speak on financial topics. Depending on the type of engagement, they may charge for such services at fees negotiated in advance.

Paul Sutherland, CFP® has experience and training in employment analysis, business consulting, mergers/acquisitions, and selling/evaluation of business entities. These services are offered on an hourly or flat fee project basis, depending upon the complexity of services desired. Periodically, (generally limited to FIM Group clients), Paul Sutherland will advise clients regarding business start-ups, selling a business and business strategies.

Mr. Sutherland also, as a board member of GaiaM, Inc., receives payment in the form of stock grants from GaiaM, Inc. for his work related to the board membership.

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

FIM Group does not charge any performance-based fees. All fees are disclosed above.

#### ***Item 7 - Types of Clients/Minimum Account Size***

FIM Group makes advisory services available to a wide variety of clients including, but not limited to, individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

FIM Group generally requires a minimum portfolio size of approximately \$500,000 for clients receiving Investment Management Services. The minimum account size may be waived due to special circumstances such as a pre-existing relationship, anticipated new assets, or as otherwise determined acceptable and at the discretion of FIM Group.

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

FIM Group makes judgments about each client's risk tolerance, goals and objectives, time horizon and tax status. Clients are interviewed and information gathered is used to determine which type of investment program best suits their needs. Investment strategies may be based upon a number of concepts and are applied based upon the objectives of the client. Descriptions of some of the strategies that may be used follow.

Strategies used to manage client portfolios are based upon the premise that an investment's price is more volatile than its underlying, real fundamental value. FIM Group believes that returns, over time, can be increased and risks reduced by shunning investments which, in FIM Group's view, are over-priced and favoring investments that are under-priced.

Investment strategies may include long-term and short-term purchases depending upon the individual needs of a client. The concept of asset allocation, or spreading investments among a number of asset classes (domestic stocks vs. foreign stocks; large cap stocks vs. small cap stocks; corporate bonds vs. governmental securities), is generally a favored strategy. Since FIM Group believes that risk reduction is a key element to long-term investment success, asset allocation principals are a key part of FIM Group's overall approach in providing investment advice to clients.

FIM Group considers itself a firm that invests for the long-term. However, if a client's investment reaches a price objective quickly, FIM Group may decide to sell the investment even if it was held for only a very short period. Clients should consult with a tax adviser regarding the presence of taxable income generated by these transactions.

While similar to FIM Group's equity investment process, FIM Group's income investment selection process is quantitative and active due to the nature of income investments. FIM Group believes that fixed income investments, i.e., fixed maturities, fixed interest dividends, senior-status guarantees, etc. have a high degree of risk-adjusted quantifiable predictability. FIM Group management seeks to identify and compare each income investment's expected return over time. FIM Group's goal is to add value by actively managing fixed income investments for total returns from interest, dividends and capital gains, and by ideally having such managed portfolios contain FIM Group's top risk-adjusted selections at all times.

FIM Group does not guarantee the effectiveness of any advice it provides. Losses can occur with any investment or strategy, including conservative investments. Clients are encouraged to discuss any questions with FIM Group personnel that may arise regarding investment policies throughout the course of the engagement.

FIM Group utilizes many sources of public information including financial news and research materials. Recommendations for purchases of investments are based on original research and publicly available reports and analysis. In the case of mutual funds, recommendations are based on reports and analysis of performance and managers, and certain computerized and other models for asset allocation and investment timing.



FIM Group is a global manager that purchases securities in multiple markets throughout the world. Securities traded in these foreign markets could be purchased in client accounts. While FIM Group has done the necessary research to make a decision to purchase the security, additional risks may be present in such securities, including but not limited to political risk of the country, currency risk as compared to the US Dollar and pricing service discrepancies. Additionally, foreign securities may have specific tax consequences that are different than those of domestic U.S. securities and clients should discuss any tax concerns with their tax advisor. Clients should also discuss these risks and any other concerns with their FIM Group representative.

In regards to pricing service discrepancies, it is the policy of FIM Group to utilize the pricing provided by its custodians when valuing a security. If a large discrepancy between what FIM Group feels is a correct price and what the custodian is reporting is discovered, FIM Group will work with the appropriate custodial personnel to correct this issue.

From time to time, errors will happen in client accounts. It is the policy of FIM Group to always ensure that once an error is discovered it is addressed quickly, and that the end outcome is not disadvantageous to the client. In the case of trade errors, FIM Group will work with the account custodian to ensure that the error is covered with no net cost to the client. If money is owed to correct an error, FIM Group will pay this money. Some custodians, such as Charles Schwab, will absorb an error that they determine to be minor (typically under \$100), with errors larger than this being paid by FIM Group. If the error is to the benefit of the client, FIM Group will do all that it can to ensure that benefit is kept by the client.

While every custodian will handle the trade error profit or loss under the direction of their own policies, the following describes how Charles Schwab & Co. Inc. handles trade errors for its client accounts:

If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, FIM Group will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted together to determine the outcome. For example if on one day an account has two related trade errors, one with a gain of \$150 and another with a loss of \$75, the net effect of the errors would be \$75, and Charles Schwab would absorb this loss internally.

The policies of specific custodians may change over time, and are not at the discretion of FIM Group. For a better understanding of how your custodian handles such situations, please contact your FIM Group representative.

In some situations, FIM Group may have direct or indirect relationships in the normal course of business, with firms which FIM Group may have made investments on behalf of clients. A current list is available by contact FIM Group.

### Tax Management

The normal sale of investments may result in taxable gains or losses to each client. Clients are responsible for the tax consequences of such transactions. Clients are strongly encouraged to consult with their tax advisor about tax and legal consequences as a result of transactions, distributions, rollovers, beneficiary changes and other tax issues.

As a global investment manager, FIM Group will make investments on behalf of clients in foreign markets. In some instances these securities will pay dividends that may be subject to having a portion of the dividend withheld as a foreign tax. In such instances, it is the responsibility of the individual client to seek professional tax advice relating to any tax treaties between their country of citizenship and the market the security is held in. If it is determined that such a treaty exists, the client may be able to make a claim on the withheld portion of the dividend. Any decision to proceed with the collection will be made by the client and any fees associated with such a tax reclaim will be the responsibility of the client.

FIM Group works to increase net after tax returns for its clients. It does this by employing various tax strategies that may reduce, defer, or eliminate taxes. Transactions in client accounts may cause realized gains or losses. FIM Group will work, on a best efforts basis, to minimize the effect of taxes where appropriate based upon client information in taxable accounts. To accomplish this, multiple strategies may be utilized. Each strategy that is utilized may result in transactions which may result in a transaction cost (commission) charged to the client account by the account custodian and/or executing broker. Naturally the cost of the transaction must be less than the tax savings to make it reasonable and practical to implement any tax strategy.

Sometimes due to share liquidity, practical constraints, share price volatility, etc, FIM Group may be limited in the number of shares or accounts that may participate in a tax strategy and/or trading strategy that is being implemented. In cases where the number of shares available to participate in a selected strategy is limited, FIM Group will determine which accounts will participate to produce the maximum benefit. Potential outcomes of this could lead to accounts participating in such strategies based upon a pro-rata allocation of shares involved, only holdings of certain size being executed, or some other method at the discretion of the FIM Group's investment management team.

During the implementation of these strategies, clients may have slightly higher concentrations to individual securities for a short time period. It is FIM Group's belief that in this case, the overall risk level of the account will not exceed the client's stated risk tolerance as described in the client's Investment Advisory Agreement.

#### ***Item 9 - Disciplinary Information***

FIM Group does not have any disciplinary information to report regarding itself or any of its counselors or other related persons.

#### ***Item 10 - Other Financial Industry Activities and Affiliations***

Paul H. Sutherland purchased a minority equity interest in National Advisors Trust Company ("NATCO"). NATCO was formed by fee-only and fee-based financial advisors to serve their clients with quality, customized, trust services that are priced at costs substantially lower (in most cases) than traditional trust companies. NATCO specializes in providing trust services to clients of investment advisory firms that are owners or whose owners have an interest in NATCO. FIM Group Representatives will, when appropriate, recommend to clients that they use the trust services of NATCO. FIM Group's goal is to control the costs of investing and quality whenever possible. Paul Sutherland, FIM Group's President, felt that by buying an interest in NATCO, would allow greater flexibility at lower costs for FIM Group's clients. The investment in NATCO was the minimum allowed to be able to use NATCO's services. Thus, because of Paul's ownership interest in NATCO, a conflict of interest exists when NATCO's services are recommended.

To the extent NATCO's securities transactions are processed by FIM Group for NATCO client trust accounts, those transactions are processed at competitive rates through broker-dealers and mutual fund

issuers recommended by NATCO. Those rates, however, may be higher or lower than those available through other brokerage service providers.

Mr. Sutherland has been appointed as a director of Gaiaam, Inc. Gaiaam's shares are traded on NASDAQ and are held in client accounts. In addition to becoming a director, other businesses Mr. Sutherland has an interest in, including Spirituality of Health may conduct business with Gaiaam. For these reasons, a conflict of interest exists whenever a purchase of Gaiaam's shares is made for, or recommended to, a client. To minimize this conflict, Mr. Sutherland is not permitted to recommend the purchase of Gaiaam shares, and proxies from the firm are voted upon the recommendations of an independent third party. Clients who now own, or who purchase, Gaiaam shares will in most cases experience delays in selling the shares while FIM Group is linked to their accounts. The action of selling may, in some instances, require the client to remove FIM Group from having any association with the account, and subsequently placing the order themselves, directly with their custodian. As a director of Gaiaam, Mr. Sutherland is considered an "insider" under securities law and accounts which he owns, or has discretionary authority over (including client accounts) may be subject to completing and submitting certain forms before transactions in Gaiaam are processed. Transaction processing delays will occur as a result of this paperwork process.

Zachary Liggett is a member of Common Cents Capital, LLC, which is comprised of individuals that are providing loans to small organizations as a group. Mr. Liggett's participation in this group is less than 5 hours per month. If FIM Group clients were to approach Common Cents Capital for a loan, a conflict of interest could arise. For this reason, clients looking to secure a loan for their business will not be referred to this group, and quarterly the firm will ask Mr. Liggett to verify that the two organizations are not servicing common clients.

Custodians such as Charles Schwab and Fidelity provide FIM Group with access to their institutional trading and custody services, which are typically not available to their retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at the custodian, and are not otherwise contingent upon FIM Group committing any specific amount of business (assets in custody or trading). These services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher initial investment.

For FIM Group's client accounts maintained in their custody, Schwab and Fidelity generally do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through them or that settle into accounts held with them.

Custodians such as Schwab and Fidelity also makes available to FIM Group other products and services that benefit FIM Group but may not benefit its clients' accounts. Some of these other products and services assist FIM Group in managing and administering clients' accounts. Thus, when recommending their custodial services, a conflict of interest exists since recommending other custodians could result in FIM Group incurring higher operating costs.

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

Occasionally, investment objectives of Clients are similar to those of Representatives or other associated persons of FIM Group and this may lead to personal investments in the same investments. Due to the relatively insignificant investments made by FIM Group, it's Representatives and associated persons, relative to total investments, these transactions would have no noticeable effect on market prices or movement. Additionally, accounts of FIM Group or it access persons will be included in such block

trades along with clients. All accounts and trades of employees are reviewed as described in the Code of Ethics. All employees with accounts managed by FIM Group on a discretionary basis will be treated the same as all other clients, and the above described allocation methods will be utilized. Accounts that are owned by employees and are managed by FIM Group will be treated as all other managed accounts, and may be included along with client accounts in block trades.

FIM Group has established a Code of Ethics applicable to all persons at the firm who have access to confidential client records or to recommendations being made for client accounts. Designed to prevent conflicts of interest between the financial interests of clients and the interests of the firm's staff, the Code requires such "access persons" to obtain pre-approval of certain securities transactions, to report transactions quarterly and to report all securities positions in which they have a beneficial interest at least annually. These reporting requirements allow supervisors at the firm to determine whether to allow or prohibit certain employee securities purchases and sales based on transactions made, or anticipated to be made, in the same securities for client accounts. The Code also establishes certain bookkeeping requirements relating to the new federal reporting rules. The Code is required to be reviewed annually and updated as necessary. A complete copy of the firm's Code is available upon request.

### ***Item 12 - Brokerage Practices***

FIM Group has discretion over client accounts by authority granted in writing by each client in the client agreement. Generally, the client determines with FIM Group's input, the custodian and broker to be used and this information (client-directed brokerage) is outlined in FIM Group's client agreement. However, FIM Group usually recommends that clients utilize Schwab Advisor Services, a division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. FIM Group is independently owned and operated and not affiliated with Schwab.

As indicated above, recommendations and use of brokerage firms are based upon the stability and safety of the custodial broker, investment flexibility, ease of settlement, the rates, quality of execution of services, the services provided to clients and the services provided to FIM Group on behalf of clients. Additionally, in the course of determining fair and reasonable services, FIM Group works to negotiate the most reasonable costs.

Representatives of FIM Group are not registered representatives of any broker/dealer and do not receive commissions, fees or any other form of "hard dollar" compensation as a result of recommending the services of service providers.

FIM Group may aggregate (or bunch) trades when executing transactions for its clients in order to realize more effective trade execution and the cost efficiencies that come from executing large order sizes. FIM Group has procedures in place that are designed to ensure that the trades are allocated in a manner that the client's total cost or proceeds from each transaction is favorable under the circumstances. Occasionally, accounts of FIM Group or its access persons will be included in such block trades along with clients. All accounts and trades of employees are reviewed as described in the Code of Ethics, a copy of which is available upon request. All employees with accounts managed by FIM Group on a discretionary basis will be treated the same as all other clients and the above allocation methods will be utilized.

As a fiduciary, FIM Group and Paul Sutherland as Principal, have an obligation to obtain "best execution" of transactions. In meeting this obligation, FIM Group must execute securities transactions for clients in such a manner that client's total costs or proceeds in each transaction are the most favorable under the circumstances.

### ***Item 13 - Review of Accounts and Reports***

Investment Management services involve frequent monitoring and review of portfolio assets by an FIM Group manager. While portfolios are generally reviewed on a quarterly basis, individual portfolio positions are generally reviewed each business day at the discretion of the FIM Group manager assigned to the account. Economic, financial and business data affecting client portfolios is also reviewed daily. Portfolios are also reviewed at the time of new significant deposits and during times of financial market or security prices volatility and changes in economic cycles. Reviews entail analyzing securities, volatility, sensitivity to overall markets, economic changes, investment results and asset allocation, etc., to ensure investment strategy and expectations are structured to continue to meet client objectives. Clients are obligated to promptly notify FIM Group of any changes in the client's financial status or ensure FIM Group's investment strategies continue to meet the client's changing needs.

Clients receive standard account statements from investment sponsors and qualified brokerage firms either monthly or quarterly, and as transactions occur. FIM Group prepares monthly portfolio reports for Investment Management Clients. Clients are encouraged to carefully compare the information on FIM Group's reports to that on the custodian's statements and to notify FIM Group with any findings.

### ***Item 14 - Client Referrals and Other Compensation***

Occasionally, FIM Group may pay a fee to a third party who has referred a client to FIM Group. Typically, the fee paid is calculated as a percentage of the fee paid by a client. When such an arrangement exists, a disclosure of the arrangement is provided to the client before the service agreement is signed. Such an arrangement does not raise or lower the advisory fee a client pays to FIM Group.

### ***Item 15 - Custody***

FIM Group does not take custody of client funds or securities. These safekeeping services are typically provided to accounts only by the brokerage firm where the client has opened their account.

To the extent a client receives any account or other investment ownership statement from FIM Group, FIM Group recommends the client carefully compare the report to the custodian's statements.

### ***Item 16 - Investment Discretion***

FIM Group exercises discretion to determine the securities to be bought and sold based on client's investment objectives and its analysis of securities. FIM Group may exercise discretion to select brokerage firms but usually recommends that clients open accounts with Schwab.

If a client directs FIM Group to effect transactions through a particular broker-dealer, including one recommended by FIM Group, FIM Group will do so. However, such an instruction has implications to the client. The instruction may cause the client's account to incur transaction costs and/or commissions that may be higher than if the instruction had not been given. Also, such a restriction may limit FIM Group's ability to consider the judgmental factors described above when selecting a broker-dealer and may limit FIM Group's ability to batch the client's order with those of other clients to process the block order through a single broker-dealer in an effort to obtain a better price and/or execution. Thus, a clients directing FIM Group to use a particular broker-dealer may not receive an average price for securities bought or sold, or otherwise obtain best price or execution.

When it deems it appropriate, FIM Group representatives may aggregate or "block" a number of similar client orders into one order. Clients participating in a block trade will receive the same execution price

and shall be charged the same commission rate, if possible. Some custodians charge flat commission fees based on the level of assets that the individual account holder has at that custodian.

When the full amount of a block trade is not executed (“partial fills”), such amounts executed shall be allocated among the participating client accounts based upon multiple criteria. If FIM Group is building a position in an investment over time, FIM Group tends to favor allocation to new accounts, accounts with additions of or existing significant cash levels, or accounts that are most suited for the particular investment. Examples of some circumstances that might warrant a deviation include account types, tax considerations, particular investment guidelines, client-imposed restrictions, and portfolio cash levels.

When a block trade cannot be fully executed, any unexecuted amounts may be rewritten for subsequent execution, if possible, unless other instructions are provided by the portfolio manager(s).

FIM Group considers the liquidity characteristics of each investment it makes on behalf of clients. FIM Group does not generally invest in illiquid private placements such as venture capital partnerships. Liquidity is affected by various characteristics, including ownership, company specific issues, market capitalization, investor behavior and other factors. Due to these and other marketability constraints, certain securities may not be able to be sold in a timely manner. For example, some CDs are not marketable and have characteristics that require them to be held until maturity to avoid losses. Real estate investments and some stock, bonds and preferred stocks all have unique liquidity characteristics. FIM Group will only make a purchase of an illiquid investment when it deems it appropriate to do so for a client’s account.

FIM Group has also implemented policies to direct the allocation of securities to client accounts. A summary of the policy follows:

### **POLICIES AND PROCEDURES FOR AGGREGATION AND ALLOCATION OF TRADES**

It is the intent of the Firm to perform investment management functions to best carry out the investment policies of each separate Client, consistent with the stated investment objective of each Client, while effecting securities transactions at the least expense reasonably attainable. To fulfill this intention, the Firm may from time to time engage in the practice of aggregating purchases or sales of securities and allocating such trades among two or more of Clients. By doing so, the Firm anticipates decreasing brokerage and transaction costs to the Clients through volume discounts and by averaging transaction prices for each account, and by obtaining the best pricing possible for such trades, whether purchases or sales.

The following Statement of Policies and Procedures is designed to provide portfolio managers and persons responsible for effecting securities transactions for the Firm with the maximum discretion and flexibility consistent with the nondiscriminatory, objective and equitable allocation of trades among the Clients.

### **STATEMENT OF POLICIES**

1. Aggregation of trades, also termed “bunching” or “block” trading, is a technique to be used in helping the Firm fulfill its duty to obtain best price and execution for the Clients, consistent with the terms of the Firm’s advisory agreements with the Clients and its duty to purchase only suitable securities for a Client.

2. Methods for aggregation and allocation of trades will be fully approved by the Designated Supervisor.
3. In implementing trading policies, the Firm will seek to treat each Client fairly and equitably, consistent with its obligations under Section 206 of the Advisers Act, and other securities laws and regulations which may apply, including applicable Rules thereunder.
4. Employee accounts that are managed on a discretionary basis by the advisor will be treated as any client account, and is subject to the guidance of this policy.

A full copy of the policy is available for client review by request to FIM Group.

Occasionally, an error may occur when processing trades for client accounts. Details relating to the firm's handling of such situations are described above in Item 8.

#### ***Item 17 - Voting Proxies on Client Securities***

FIM Group and its Representatives may vote proxies on behalf of clients. The following information briefly summarizes FIM Group's Policy and Procedures regarding how it votes proxies when providing Investment Management Services to clients.

##### **Summary of Proxy Voting Policy and Procedures**

The following information briefly summarizes FIM Group's Policy and Procedures relating to how FIM Group votes proxies.

**Guiding Principles** - FIM Group's Policies and Procedures relating to voting proxies are designed to ensure that proxies are voted in the best interests of clients. The Policies and Procedures do not apply to those situations where the client has retained voting discretion. In those situations, FIM Group will cooperate with the client to ensure proxies are voted as directed by the client. In addition, FIM Group will abide by specific voting guidelines on certain policy issues as requested by particular clients on a case-by-case basis.

**Primary Objective** - In general, proxies will be voted in a manner designed to maximize the value of client investments. In evaluating a particular proxy proposal, FIM Group will take into consideration, among other things, the period of time shares of the company are expected to be held, the size of the client's position, the costs involved in the proxy proposal and the existing governance documents of the affected company, as well as its management and operations.

Generally, it is FIM Group's policy to vote in accordance with management's recommendations on most issues since the capability of management is one of the criteria used by FIM Group in selecting stocks. This policy recognizes the fact that a board of directors is elected by a company's shareholders, it is the duty of the board to elect and oversee competent management personnel, and management of a company will normally have more specific expertise and knowledge as to the company's operations than does FIM Group.

**Exceptions** - When FIM Group believes management is acting on its own behalf, instead of on behalf of the well-being of the company and its shareholders, or when FIM Group believes that management is acting in a manner that is adverse to the rights of the company's shareholders, FIM Group will take steps

to represent the interests of its clients and, as a result, may elect to vote against management's recommendations.

In situations where FIM Group is extremely displeased with management's performance, it may withhold votes or vote against management's slate of directors and other management proposals as a means of communicating its dissatisfaction.

*Other Factors the Firm Considers* - FIM Group recognizes that the activity or inactivity of a company with respect to matters of social, political or environmental concern may have an effect upon the economic success of the company and the value of its securities. However, FIM Group does not consider it appropriate, or in the interests of its clients, to impose its own moral standards on others. Therefore, it normally supports management's position on matters of social, political or environmental concern, except where it believes that a different position would be in the economic interests of company shareholders.

When possible, voting is conducted electronically.

*Conflicts* - In evaluating a proxy proposal, the Chief Compliance Officer, or the Chief Compliance Officer's designee, is responsible for considering whether there is any circumstance that may give rise to a conflict of interest on the part of FIM Group in connection with voting client proxies either because of a business relationship between FIM Group and the company or otherwise.

*Voting Procedures* - All proxy proposals are voted on an individual basis. In general, when a conflict exists, the proxy is referred to FIM Group's President who, based on the advice of legal counsel, determines whether the proxy may be voted by FIM Group or whether it should be referred to the client (or another fiduciary of the client) for voting purposes.

FIM Group may also consult directly with a client to obtain the client's consent before voting the proxies. If client consent is sought, FIM Group will provide the client with sufficient information regarding the matter before shareholders and the nature of FIM Group's conflict to enable the client to make an informed decision to consent to FIM Group's vote.

*How To Obtain More Information* - For additional information regarding our proxy voting policies and procedures, please contact us by writing to us at 111 Cass Street, Traverse City, Michigan 49684, or calling (231) 929-4500.

### ***Item 18 - Financial Information***

FIM Group does not receive fees of more than \$1200 six months or more in advance, thus no financial statement for FIM Group is attached. FIM Group does not have any financial condition that is reasonably likely to impair its ability to meet its contracted commitment to any client.



## **Privacy Policy**

**Privacy Notice to Our Clients.** FIM Group strongly believes in protecting the confidentiality and security of information we collect about you. This notice describes our privacy policy and describes how we treat the information we receive about you.

**Why We Collect And How We Use Information.** When we evaluate your request for our services, provide investment advice to you and process transactions for your account, you typically provide us with certain personal information necessary for us to provide advice and execute transactions. We may also use that information to offer you other services we provide which may meet your investment needs.

**What Information We Collect.** The personal information we collect may include:

- Name and address;
- Social Security or taxpayer identification number;
- Assets;
- Income;
- Account balance and positions;
- Investment activity;
- Accounts at other institutions.

**How We Protect Information.** We do not sell your personal information to anyone. We treat information about current and former clients and their accounts in a confidential manner. Our employees may access information and provide it to third parties only when completing a transaction at your request or providing our other services to you.

At your request, we may disclose information to attorneys, accountants, lawyers, securities professionals and others to assist us, or them, in providing services to you. We may also share information with companies that perform services on our behalf, such as the companies that we hire to perform marketing or administrative services. Companies we may hire to provide support services are not allowed to use your personal information for their own purposes. We may make additional disclosures as permitted by law.

We also maintain physical, electronic, and procedural safeguards to protect information. Employees and our professional service representatives are required to comply with our established information confidentiality provisions.

**Access to and Correction of Information.** Generally, upon your written request, we will make available information for your review. Information collected in connection with, or in anticipation of, any claim or legal proceeding will not be made available. If your personal information with us becomes inaccurate, or if you need to make a change to that information, please contact us at the number shown below so we can update our records.

**Further Information.** For additional information regarding our privacy policy, please contact us by writing to us at 111 Cass Street, Traverse City, Michigan 49684, or calling (231) 929-4500.