



# SECURE INVESTMENT MANAGEMENT

## DISCLOSURE BROCHURE (Form ADV Part 2A)

August 23rd, 2017

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This brochure provides information about the qualifications and business practices of Secure Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (888) 802-0427.

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.

Secure Investment Management is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.

Additional information about Secure Investment Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or by state securities authorities.

The SEC's website also provides information about persons affiliated with Secure Investment Management who are registered, or are required to be registered, as investment advisor representatives of Secure Investment Management.

## **Item 2: Material Changes**

This brochure, dated August 23, 2017, has been prepared by Secure Investment Management as an amendment filing with the SEC. This section of the brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Since our March 2017 Disclosure Brochure, there have been the following changes.

- As of August 2017, Dan Morgan has replaced David Robinson as Chief Compliance Officer of Secure Investment Management, LLC.

Our brochure may be requested, at no cost, by contacting Dan Morgan, Chief Compliance Officer, at (888) 802-0427, or via e-mail at [Dmorgan@secureinvestmentmanagement.com](mailto:Dmorgan@secureinvestmentmanagement.com).

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## Item 4 Advisory Business

Secure Investment Management, LLC (“SIM”) is a limited liability company formed in 2012 in the State of Arizona. Prior to reorganizing as SIM, Secure Investment Management operated under the name Joshua David Mellberg, LLC since its inception as a registered investment advisor in August, 2006. SIM is owned by Joshua D. Mellberg.

As discussed below, Secure Investment Management offers to its clients (individuals, high-net worth individual, pension and profit sharing plans, business entities, trusts and estates), investment advisory services, and related consulting services.

### INVESTMENT ADVISORY SERVICES

The client may engage SIM to provide discretionary and/or non-discretionary investment advisory services on a non-wrap *fee* basis. (*See* discussion below). The client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, trade execution, custody).

The client can agree to have SIM provide discretionary and/or non-discretionary investment advisory services on a *fee* basis. Generally, SIM’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under SIM’s management.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage SIM on a non-discretionary investment advisory basis **must be willing to accept** that SIM cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, SIM will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client’s verbal consent.

### MISCELLANEOUS ADVISORY SERVICES DISCLOSURE

If requested by the client, SIM may recommend the services of other professionals for certain implementation purposes (i.e. attorneys, accountants, insurance, etc.), including certain of SIM’S investment adviser representatives in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from SIM.

#### **Please Note:**

If the client engages any such recommended professional and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

It remains the client’s responsibility to promptly notify SIM if there is ever any change in financial situation or investment objectives for the purpose of reviewing, evaluating, and/or revising previous recommendations and/or services.

As indicated in Item 5 below, SIM shall price its services based upon various objective and subjective factors. As a result, SIM's clients could pay diverse fees based upon the market value of their assets, the complexity of the engagement, geographic differences, and the level and scope of the overall consulting services to be rendered. The services to be provided by SIM to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

**Sub-Advisory Agreement with Investment Adviser** Under its Investment Management Agreement, SIM has discretionary authority to hire and fire Sub-Advisor(s), which will manage the investments in your designated account on a discretionary basis in accordance with your stated investment objectives.

**REITs:** SIM may provide advice regarding real estate investment trusts (REITs) and real estate partnerships. Some of the REITS that are the subject of SIM's advisory services are not publicly traded. In other words, the lack of an active secondary market for the sale of such REITs can limit a client's ability to dispose of such investments in a timely manner and/or at an advantageous price. Consequently, a client should exercise caution to avoid over- concentration of their assets in these illiquid investments.

In order for a REIT to be purchased in a SIM advisory account, the REIT distributor needs to provide *advisory-class pricing* for their products through a custodian. Generally this means that the REIT distributor allows purchases at a price that "waives" the sales charge, or "load", thus allowing SIM to include the product in the comprehensive billing that is already established for the customer's account. REITs purchased on a commission basis from a SIM representative in their individual capacity as a broker dealer registered representative are not subject to an advisory fee.

It is likely the price of a REIT listed on your account statement provided by a custodian only reflects the original purchase price and does not reflect any price or value from a secondary market, a repurchase offered by the sponsor or the book value. It is possible that the actual value of the REIT on a secondary market or through a repurchase by a sponsor is significantly higher or lower than the original purchase price shown on the account statement provided by the custodian.

To the extent that an alternative investment such as a non traded REIT is included in your program, the alternative investment may be subject to an asset management fee by SIM, which will be based upon the current valuation set by the product sponsor, as reflected on the custodian's account statement. Due to the fact that certain alternative investments, such as non-traded REITs, are illiquid, the value is not easily or readily ascertainable or reported. As a result, the value shown on the account statement provided by the custodian is the most reliable method for determining the present value of the investment.

**Please note:** The value reflected on the account statement does not necessarily reflect the actual value of the alternative investment. Your alternative investment value may be higher or lower. Please refer to your investment advisory agreement with SIM for more details.

**Independent Managers:** SIM may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated assets. SIM shall continue to render investment advisory services to the client relative to the ongoing monitoring

and review of account performance, asset allocation and client investment objectives. Factors which SIM shall consider in recommending Independent Manager[s] include the client's designated investment objective(s), management style, performance, reputation, financial strength and reporting.

**Trade Errors:** SIM has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is the policy of SIM to correct trade errors in a manner that is fair to the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by SIM if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. The trade will be moved to an error account and will be dealt with at the discretion of the broker dealer.

**Client Obligations:** In performing its services SIM shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify SIM if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising SIM's previous recommendations and/or services.

**Disclosure Statement:** A copy of SIM's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, simultaneously with, the execution of the *Investment Advisory Agreement*.

SIM shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, SIM shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on SIM's services.

As of December 31, 2016, Secure Investment Management had \$110,562,006.00 in assets under management on a discretionary basis and \$0 in assets under management on a nondiscretionary basis.

## **Item 5 Fees and Compensation**

The client can engage SIM to provide discretionary and/or non-discretionary investment advisory services on an annual fee basis. The fee shall be based upon the level and scope of the overall investment advisory services to be rendered, which is based upon various **objective and subjective factors**. These factors include, but are not limited to, the amount of the assets placed under the Registrant's management, the level and scope of services to be rendered, and the complexity of the engagement. Lower fees for comparable services may be available from other sources.

### **Fee Billing**

Investment management account fees are based on a percentage of total assets managed. Fees are generally calculated and charged quarterly in advance. Fees are based on the market value using

closing prices at quarter end, at one-quarter of the annual rates listed below. The quarter ending value includes accrued interest and/or dividends. Fees for the investment management services provided by SIM, which may begin before assets are received into the client's account, are typically calculated and charged beginning on the first trade date in the account. The fee will be calculated and deducted from the client's account each calendar quarter following the billing date as stated in the client's IAA. The client may instead pay fees from another account by completing and submitting written instructions to SIM. However, SIM, in our sole discretion, may waive our account minimum or charge a lesser advisory fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.) Clients with a minimum \$25,000 of investable assets, who also participate in the Wealth-Accumulator program, will have access to a Relationship Manager. Clients with a minimum \$500,000 of investable assets, who also participate in the Private Client Services Group, will be assigned a Relationship Manager.

SIM will aggregate households for billing in accordance with the Fee Schedule listed below for household<sup>3</sup> accounts established by a client where: i) the funding occurs within 90 days of the start of the relationship; ii) each individual account within the household must be equal to or greater than \$25,000; and iii) accounts are required to be in SIM Managed Models.

Definition; household

(1) A natural person, and:

(i) Any minor child of the natural person;

(ii) Any relative, spouse, or relative of the spouse of the natural person who has the same principal residence;

(iii) All accounts of which the natural person and/or the persons referred to in this paragraph (a)(1) are the only primary beneficiaries; and

(iv) All trusts of which the natural person and/or the persons referred to in this paragraph (a)(1) are the only primary beneficiaries;

### **WEALTH-ACCUMULATOR**

**\$25,000 to \$249,999 INDEFINITELY @ 1.50% plus Interactive Wealth-Accumulator program fee 0.25% = 1.75%**

### **PRIVATE CLIENT SERVICES GROUP**

**\$250,000 to \$499,999 YEAR 1 @ 1.50% plus Interactive PCS program fee 0.25% = 1.75%**

**\$250,000 to \$499,999 YEAR 2 @ 1.50% plus Interactive PCS program fee 0.10% = 1.60%**

**Note;** if the balance drops below \$250,000 in any quarter due to a withdrawal, the fee is prorated and adjusted according to the (**Wealth-Accumulator**) Fee Schedule for that quarter and future quarters until the balance is brought back up to \$250,000

**\$500,000 to \$1mm YEAR 1 @ 1.25% plus Interactive PCS program fee 0.25% = 1.50%**

**\$500,000 to \$1mm YEAR 2 @ 1.25% plus Interactive PCS program fee 0.10% = 1.35%**

**Note;** if the balance drops below \$500,000 in any quarter due to a withdrawal, the fee is prorated and

adjusted according to the Fee Schedule for that quarter and future quarters until the balance is brought back up to \$500,000

**\$1mm to \$5mm YEAR 1 @ 1.125% plus Interactive PCS program fee of 0.25% = 1.375%**

**\$1mm to \$5mm YEAR 2 @ 1.125% plus Interactive PCS program fee of 0.10% = 1.225%**

**Note;** if the balance drops below \$1mm in any quarter due to a withdrawal, the fee is prorated and adjusted according to the Fee Schedule for that quarter and future quarters until the balance is brought back up to \$1mm

**\$5mm and above YEAR 1 @ 1% plus Interactive PCS program fee 0.25% = 1.25%**

**\$5mm and above YEAR 2 @ 1% plus Interactive PCS program fee 0.10% = 1.10%**

**Note;** if the balance drops below \$5mm in any quarter due to a withdrawal, the fee is prorated and adjusted according to the Fee Schedule for that quarter and future quarters until the balance is brought back up to \$5mm

Clients may elect to have SIM's advisory fees deducted from their custodial account. Both SIM's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of SIM's investment advisory fee and to directly remit that management fee to SIM in compliance with regulatory procedures. In the limited event that SIM bills the client directly, payment is due upon receipt of SIM's invoice.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, SIM shall recommend that Fidelity Investments, LLC ("*Fidelity*") or TD Ameritrade serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds; commissions are charged for individual equity and fixed income securities transactions). However, in addition to SIM's investment management fee, all clients will also incur charges relative to: (1) trade execution fees which may include a wrap fee of 10 basis points for a certain number of trade execution fees; (2) all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom SIM and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by *Fidelity*).

The *Investment Advisory Agreement* between SIM and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, SIM shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of months remaining in the quarterly billing cycle.

**Securities Commission Transactions.** In the event that the client desires, the client can engage IAR's of SIM, in their individual capacity, as registered representatives of Global Financial Investment Services, ("GFIS"), an SEC registered and FINRA member broker-dealer, to purchase investment-related products on a non-discretionary *commission* basis. In the event the client chooses to purchase or sell investment products through GFIS, they will be charged brokerage commissions to effect securities transactions, a portion of which shall be paid to its registered representatives, as



applicable. The brokerage commissions charged by GFIS may be higher or lower than those charged by other broker-dealers. In addition, GFIS and their representatives may also receive additional ongoing 12b-1 trailing commission compensation directly from a mutual fund company during the period that the client maintains the mutual fund investment.

**Conflict of Interest:** The recommendation that a client purchase a commission product from GFIS presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's needs. No client is under any obligation to purchase any commission products from GFIS.

**Please Note:** Clients may purchase investment products recommended by SIM through other non-affiliated broker dealers or agents.

SIM does not receive any revenue from advisory clients as a result of commissions or other compensation for the sale of investment products by SIM representatives in their individual capacity as registered representatives of a broker dealer.

When SIM's representatives, in their individual capacity of a broker dealer registered representative, sell an investment product on a commission basis, SIM does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, SIM's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). **However**, a client may engage SIM to provide investment management services on an advisory fee basis and, separate from such advisory services; purchase an investment product from SIM's representatives, in their individual capacity as a broker dealer registered representative, on a separate commission basis.

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

Neither Secure Investment Management nor any supervised person of SIM accepts performance-based fees.

## **Item 7 Types of Clients**

SIM's clients shall generally include individuals, high-net worth individuals, pension and profit sharing plans, business entities, trusts and estates.

**Separate Accounts** - SIM provides portfolio management services to Separate Accounts. SIM's management of the client's separate account will be consistent with the particular investment strategy or strategies the client selected for that account. Clients may impose certain limitations or restrictions on SIM's discretionary authority. However, SIM reserves the right not to enter into a contract with a prospective client, or to terminate an agreement with an existing client, if the proposed limitation or restriction is likely in SIM's opinion to impair its ability to provide services to a client or is otherwise believed by SIM to be administratively or practically infeasible. The menu of investment strategies which SIM may make available to Separate Account clients is shown below. Additional detail about each strategy may be obtained at no charge by contacting SIM at 520-269-4003.

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

Secure Investment Management integrates unaffiliated Institutional Investment Managers that have multiple investment styles and disciplines into a single strategy to offer our clients a diversified portfolio with a goal of regulating risk. Each Model Portfolio is managed to respond to changing market conditions using both active & passive investment management. Investing in securities involves risk of loss that clients should be prepared to bear.

### **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Our portfolios are designed for investors who are able to hold the investment for one or more years. Investors should be able to accept price volatility during this period, the level of which should match the stated risk tolerance of the respective investor.

Our portfolios are designed to meet stated investment objectives based on your Investment Policy Questionnaire (IPQ). The portfolios are not designed to match equity market returns during strong rallies. Although the portfolios seek low volatility and principal protection, asset allocation decisions may not achieve these goals in all cases. There is no guarantee a portfolio will meet a target return or investment objective. Investments in bonds involve interest rate and credit risk. Bond values change according to changes in interest rates, inflation, and credit climate and issuer credit quality. Interest rate rises will reduce the value of a bond. Although longer term bonds may pay more income, their value is more susceptible to interest rate variation than shorter term, lower yield bonds. Stock markets and individual stocks may be subject to large price fluctuations.

Diversification cannot protect an investor from these fluctuations. The use of indexed funds is not fully guaranteed to track an intended market and may carry additional 'product' risks.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs. The Sub-Advisor may, at its discretion, invest in leveraged ETFs which provide two times the exposure to a stated index or asset class. These ETFs may be held for periods longer than one week.

## **Item 9 Disciplinary Information**

Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SIM or the integrity of SIM's management. SIM has no material pertinent disclosures related to disciplinary events associated with SIM's client's On SIM's ADV Part 1, under the Regulatory Action Disclosure Reporting Pages, you will find one regulatory action ("DRP"), listed related to an event which occurred to an Employee Advisor of SIM.

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

**Registered Representatives of SIM:** As disclosed above in Item 5, certain of SIM's representatives are registered representatives of G.F. Investment Services, LLC ("GFIS"), a FINRA member broker-dealer. Clients may choose to engage certain of SIM's representatives, in their individual capacities as registered representatives of GFIS, to effect securities brokerage transactions on a commission basis.

**Licensed Insurance Agents:** SIM does not engage in the sale of insurance products to advisory clients. Certain of SIM's supervised persons, in their individual capacities, are also licensed insurance agents, with various insurance companies, including affiliated firm's Joshua David. Mellberg, LLC and/or one of its affiliated agencies. As a result, such supervised persons may recommend, on a commission basis, the purchase of certain Insurance products. A conflict of interest exists to the extent that SIM recommends the purchase of insurance products where SIM's supervised persons receive insurance commissions or other additional compensation. As referenced in Item 4 above, clients can engage certain of SIM's representatives to purchase insurance products

on a commission basis. Any activity by your investment adviser representative as an insurance agent is separate from and outside of his or her role on behalf SIM. You should understand the following:

- SIM does **not** serve as an insurance agency for your investment adviser representative to offer fixed insurance, fixed annuities or fixed indexed annuities;
- SIM does **not** conduct due diligence of the fixed insurance, fixed annuities or fixed indexed annuities offered by your investment adviser representative in his or her separate capacity as an insurance agent; and
- SIM does **not** review, approve nor supervise your investment adviser representative's recommendations as an insurance agent to hold, purchase or sell/surrender fixed insurance, fixed annuities or fixed indexed annuities.

**Private Placement Memorandum:** As mentioned above, J.D. Mellberg Financial, LLC, (JDMF), is a licensed insurance agency, and its affiliated company with Secure Investment Management, LLC, (SIM), with common ownership. JDMF initiated a private offering of promissory notes exempt from SEC registration in reliance on Regulation D of the Securities Act of 1933. SIM is not the issuer or guarantor of the promissory notes and has no obligation to repay the indebtedness. Certain Investment Advisory Representatives, (IAR's), of SIM are also licensed insurance agents and employees of JDMF. In their capacity as employees of JDMF, these individuals may solicit accredited investors to invest in the promissory notes issued by JDMF pursuant to the Regulation D Private Placement Offering. SIM is not involved with the Regulation D private offering, and any activities of the IAR's in connection with this private offering are considered "outside business activities" with full disclosure of the activity. SIM is not participating in the private offering, does not recommend that its clients invest in the offering, and receives no compensation in connection with the sale of these private notes.

**Dually Licensed Investment Adviser Representative:** Currently, there are investment adviser representatives of SIM that are dually registered as investment adviser representatives of their own independently registered investment adviser firms. The investment adviser representative may continue to provide financial planning services under his or her own independently registered investment adviser firm. Clients are not obligated to use the services of SIM or the investment adviser representative's independently registered investment adviser firm. However, if the client chooses to do so, the client should be aware that SIM does not review or supervise the financial planning services provided by the adviser representative in this separate capacity through their independently registered investment adviser firm; the independently registered investment adviser firm providing the financial planning services is solely responsible for these services and the advisory fees charged. SIM will be responsible to only supervise our asset management services. This dual registration of an investment adviser representative with SIM and the independently registered investment adviser firm creates a conflict of interest.

**Conflict of Interest:** The recommendation by SIM's representatives that a client purchase a securities or insurance commission product presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. Additionally in their individual capacities as insurance licensed agents SIM's representatives may receive compensation in addition to commissions from certain insurance wholesalers. No client is under any obligation to purchase any commission products from SIM's representatives. All material conflicts of interest have been disclosed herein.

**Outside Money Managers:** When SIM refers you to an outside money manager, SIM will provide proper disclosure of the arrangement to you. Disclosure will be made at the time of solicitation and will include a description of SIM's arrangement with the outside money manager and a description of the compensation arrangement. SIM will also provide to you a copy of the outside money manager's disclosure brochure. Money managers selected by SIM, are thoroughly reviewed to make sure they are properly licensed and registered as an investment advisor prior to acceptance.

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

SIM maintains an investment policy relative to personal securities transactions. This investment policy is part of SIM's overall Code of Ethics, which serves to establish a standard of business conduct for all of SIM's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, SIM also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by SIM or any person associated with SIM.

Neither SIM nor any related person of SIM recommends, buys, or sells for client accounts, securities in which SIM or any related person of SIM has a material financial interest.

SIM and/or representatives of SIM *may* buy or sell securities that are also recommended to clients. This practice may create a situation where SIM and/or representatives of SIM are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if SIM did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of SIM's clients) and other potentially abusive practices.

SIM has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of SIM's "Access Persons." SIM's securities transaction policy requires that an Access Person of SIM must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Access Persons are also required to provide a list of their outside brokerage accounts and set up each outside brokerage account to provide duplicate statements directly to SIM's Chief Compliance Officer. SIM's internal compliance reviews each confirmation of trade statement as well as each monthly report received from the Access Person's outside brokerage account(s).

Additionally, each Access Person provides the Chief Compliance Officer or his/her designee with a written attestation confirming/identifying each one of the Access Person's current outside brokerage accounts. SIM and/or representatives of SIM *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where SIM and/or representatives of SIM are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, SIM has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of SIM's Access Persons.

## Item 12 Brokerage Practices

In the event that the client requests that SIM recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct SIM to use a specific broker-dealer/custodian), SIM recommends that investment management accounts be maintained at *Fidelity*. Prior to engaging SIM to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with SIM setting forth the terms and conditions under which SIM shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that SIM considers in recommending *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with SIM, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by SIM's clients shall comply with SIM's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where SIM determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although SIM will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, SIM's investment management fee. SIM's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

Research and Additional Benefits: Although not a material consideration when determining whether to recommend that a client utilize the services of a particular custodian, SIM may receive from *Fidelity* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist SIM to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by SIM may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used SIM in furtherance of its investment advisory business operations. The receipt of benefits may give SIM an incentive to recommend or select *Fidelity* (or another broker-dealer/custodian) based on SIM's interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution.

As indicated above, certain of the support services and/or products that *may* be received may assist SIM in managing and administering client accounts. Others do not directly provide such assistance, but rather assist SIM to manage and further develop its business enterprise.

SIM's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. This may, however, cause clients to pay commissions higher than those charged by other broker-dealers who do not offer such benefits. There is no corresponding commitment made by SIM to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of

the above arrangement.

To the extent that services of value are received by SIM, SIM may avoid expenses which it might otherwise incur. The receipt of research in connection with brokerage transactions executed on behalf of its clients benefits SIM by allowing SIM, at no cost to it, to supplement its own research and analysis activities.

Research obtained may be utilized by SIM for the benefit of clients not related to the broker-dealer providing the research.

SIM does not receive referrals from broker-dealers.

**Directed Brokerage:** The client may direct SIM to use a particular broker-dealer (subject to SIM's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and SIM will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by SIM. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. In the event that the client directs SIM to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through SIM.

In the event that the transactions for a client's accounts are effected through a broker-dealer that refers investment management clients to SIM, there exists the potential for conflict of interest if the accounts incur higher commission or transaction costs than the accounts would otherwise have incurred had the client determined to effect account transactions through alternative clearing arrangements that may have been available through SIM.

SIM will aggregate orders in a manner that it considers to be the most equitable to all accounts. The allocation ratio used for those trades excludes the capital, from the denominator, of the accounts not participating in the trades.

### **Item 13 Review of Accounts**

For those clients to whom SIM provides investment supervisory services, account reviews are conducted on an ongoing basis by the client's investment advisor representative or qualified designee. All investment supervisory clients are advised that it remains their responsibility to advise their investment adviser representative and SIM of any changes in their investment objectives and/or financial situation. SIM encourages you to request a review with your investment adviser representative to discuss such things as account performance, changes in the client's investment objectives, goals, and financial situation, tax planning, estate planning, retirement planning and any other questions the client may have concerning their investment portfolio. If you only receive financial planning services from SIM, you may be charged a separate fee for meetings with your investment adviser representative. You should read carefully the agreement with SIM to determine the amount of such separate fees, if any on an annual basis.

SIM *may* conduct account reviews on an other-than-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. SIM may also provide a written periodic report summarizing account activity and performance.

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

As referenced in Item 12 above, SIM may receive an indirect economic benefit from *Fidelity*. SIM, without cost (and/or at a discount), may receive support services and/or products from *Fidelity*.

SIM's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by SIM to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

If a client is introduced to SIM by either an unaffiliated or an affiliated solicitor, SIM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from SIM's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to SIM by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of SIM's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between SIM and the solicitor, including the compensation to be received by the solicitor from SIM.

**Outside Money Managers:** SIM and our supervised persons may refer clients to outside money managers for advisory services not provided by SIM. SIM and these outside money managers are not affiliated.

#### **Item 15 Custody**

SIM shall have the ability to have its advisory fee for each client debited by the custodian on a monthly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the custodian and/or program sponsor for the client accounts. SIM urges you to carefully review such statements and compare such official custodial records to the account statements that SIM provides you.

**Please Note:** The account custodian does not verify the accuracy of SIM's advisory fee calculation.

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

The client can determine to engage SIM to provide investment advisory services on a discretionary or non-discretionary basis. Prior to SIM assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming SIM as the client's



attorney and agent in fact, granting SIM full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage SIM on a discretionary basis may, at any time, impose restrictions, **in writing**, on SIM's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe SIM's use of margin, etc.).

#### **Item 17 Voting Client Securities**

SIM does not vote client proxies. However, certain client accounts may be sub-advised by an investment adviser firm. Unless a client, whose account is being sub-advised, directs otherwise in writing, the sub-advisor shall be responsible for voting that client's proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.).

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

SIM does not solicit fees of more than \$500.00, per client, six months or more in advance