

***Item 1 - Cover Page***

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

**FORM ADV – PART 2A INFORMATION**

**March 22, 2018**

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**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 Made To This Brochure Since Its Last Annual Update filed March 31, 2017***

This Brochure has been amended to expand upon FIM Group's disclosures, including concerning risk of loss (Item 8), code of ethics (Item 11), brokerage practices (Item 12) and custody practices (Item 15), and to make other minor updates, as deemed appropriate.

We also provided disclosure that, effective October 2017, FIM Group is acting as a Trust Representative Office of National Advisors Trust Company. Descriptions of this service and its fees can be found under Items 4 and 5.

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

<u>Item</u>		<u>Page</u>
1	Cover Page .....	1
2	Material Changes Since Last Update .....	2
3	Table of Contents .....	3
4	Advisory Business .....	4
5	Fees and Compensation .....	6
6	Performance Based Fees and Side-by-Side Management .....	8
7	Types of Clients .....	8
8	Methods of Analysis, Investment Strategies and Risk of Loss .....	8
9	Disciplinary Information .....	12
10	Other Financial Industry Activities and Affiliations .....	12
11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	13
12	Brokerage Practices .....	14
13	Review of Accounts and Reports .....	16
14	Client Referrals and Other Compensation .....	16
15	Custody .....	16
16	Investment Discretion .....	16
17	Voting Proxies on Client Securities .....	17
18	Financial Information .....	19
	Privacy Policy .....	20

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

FIM Group is an investment adviser registered with the SEC. The firm provides investment management, investment consultation, financial planning and retirement plan 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 Services**

Investment Management Services by FIM Group 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 that fit the client's needs and objectives. Portfolio management services are usually provided on a discretionary basis. Clients may impose restrictions on investing in certain securities or types of securities.

Investments may include long and short-term investment, money market funds, mutual funds, stocks, bonds, or other investment vehicles. Assets will generally be valued daily, when available, and held at a qualified custodian. FIM Group does not guarantee the results of its recommendations and losses can occur by following FIM Group's investment advice.

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 and statements from their custodians, not less than quarterly. Additionally, FIM Group provides its own reports describing managed account performance. Clients are encouraged to compare FIM Group reports with information on the custodian's reports, and contact their FIM Group Representative with any concerns or discrepancies.

A client owns each security in the client's account. FIM Group is not affiliated with a broker and will help the client choose a broker based upon the brokerage firm's perceived quality of service, financial strength, competence, ability to provide trade executions at competitive commission rates and other factors. 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. FIM Group does not receive any portion of these fees, and only receives fees for Investment Management Services from its clients.

FIM Group as of December 31, 2017 has \$700,320,521 in assets under discretionary management, and \$0 in assets under non-discretionary management.

### Investment Consultation Services

In addition to fee-based Investment Management Services, FIM Group may provide 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. Topics such as investment analysis, retirement funding, cash flow analysis and other subjects maybe addressed. The exact services and reports to be provided are determined during the initial consultation with each client. Accounts being advised on under this service are non-discretionary, and it is the responsibility of the client to approve and implement any recommendations provided.

### Retirement Plan Administration

FIM Group may assist business accounts with the design, implementation and required filings of pension plans. FIM Group's advisors will meet with the client to decide the appropriate plan type and services to be provided. Retirement Plan Administration clients will also have the ability to choose to utilize FIM Group's Investment Management Services. FIM Group will typically outsource administration services required for qualified retirement plans, and will work with client-directed plan administrators. In such cases, clients will be made aware of any such arrangements.

### Financial Planning

FIM Group also provides Financial Planning Services typically covering issues such as cash management, retirement planning, college funding, estate planning and tax planning. FIM Group makes itself available to clients for periodic meetings to monitor planning progress. 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. These strategies may require action by the client, in cases where FIM Group cannot act on the client's behalf.

### Corporate Trustee Services

FIM Group, through its relationship with National Advisors Trust Company ("NATCO"), is able to provide corporate trust services to clients looking for a corporate trustee. FIM Group Private Trust is a registered dba of National Advisors Trust Company. When a client elects to utilize the service of FIM Group Private Trust, all customary corporate trust functions are performed by NATCO, while FIM Group retains the investment management responsibility. FIM Group does not have the authority or ability to instruct or move assets from the account. In this relationship, FIM Group and FIM Group Private Trust act as the primary conduit between the end client and NATCO.

Because of Paul Sutherland's minority equity holding in NATCO, a conflict of interest exists when clients elect to utilize the services of NATCO. This conflict is described in Item 10 below.

## ***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 specific investment products.

### **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. 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 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. Fees may, at the discretion of FIM Group, be calculated based upon the total value of related accounts. Fees may be modified based upon individual circumstances or complexities at the discretion of FIM Group.

FIM Group's standard annualized fee is 1.44% and is normally billed at 0.12% per month. Certain types of accounts, where the management of such accounts is limited to a pre-defined specific list of securities, or the strategy requested by the client provides limits to the scope of investments available, may be billed at 50% of the standard fee. This fee applies to all securities that FIM Group has discretion over, as well as cash.

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.

All fees paid to FIM Group for Investment Management Services are separate from the fees and expenses charged to shareholders of both open-end and closed-end fund shares. Funds pay advisory fees to their related investment advisers, which payments reduce the net asset value of the Funds' shares. Therefore, when a 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 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.

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 American Depositary Receipt fees, local market taxes or other fees related to certain markets. These fees are paid directly from the client account to the custodian.

Client is responsible for all brokerage, custodian, stock transfer and other similar fees incurred in connection with the client's account.

FIM Group may allow clients to hold assets in their portfolio that are not managed by FIM Group. Such assets will be coded as Unsupervised Assets. 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, and are not included in standard reports from FIM Group.

#### Investment Consultation Service Fees

Fees for Investment Consultation Services are based on a flat project fee, which varies depending upon the complexity of services, level of expertise required and specific situation and requests of the client. 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

FIM Group may provide retirement plan administration to some clients. As described above, FIM Group may utilize third party services providers for this. Fees for this service will be negotiated at the time of engagement for these services. In most cases, FIM Group does not charge an additional fee to these clients for administrative services, or pass on those of the third-party service provider to the client, other than the standard investment management fee of plan accounts managed by FIM Group.

#### Financial Planning Service Fees.

Fees for Financial Planning Services vary and correspond directly to the complexity of the services 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 utilizing FIM Group's Investment Management Services will receive Financial Planning Services for no additional cost, other than their fee for Investment Management Services.

Clients may terminate the Financial Planning Services agreement upon written notice and the client will be invoiced for any portion of fees incurred by FIM Group on the development of the plan prior to termination. 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.

#### Corporate Trustee Services

FIM Group does not receive any additional compensation, outside of our investment management fee, for providing Corporate Trustee Services through NATCO. NATCO charges the client based on a prearranged fee schedule, to be determined at the time of execution. This additional fee is paid by FIM Group directly to NATCO for clients using our Investment

Management Services. These fees do not start until NATCO has taken over trustee status for the trust.

#### Other Compensation

FIM Group does not receive any type of compensation related to client accounts other than the fees directly billed by FIM Group to the client.

Mr. Sutherland also, as a board member of Gaia, Inc., receives payment in the form of either cash or stock grants from Gaia, Inc. for his work related to the board membership. A further description of this relationship is described below in Item 10.

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

FIM Group does not charge any performance-based fees. All FIM Group 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 does not require a minimum portfolio size for clients receiving Investment Management Services. However, it is the belief of FIM Group that balances over \$250,000 make it more efficient for investment management given the firm's investment strategy.

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

Strategies used to manage client portfolios are based upon the premise that an investment's price is more volatile than its underlying value. FIM Group believes that returns, over time, can be increased and risks reduced by avoiding investments which, in FIM Group's view, are overpriced and favoring investments that are underpriced. FIM Group also believes that, generally, active management is a better strategy than passive management, and as such clients will experience generally higher overall commission and other transactional costs than if their account was managed with a passive strategy.

Under circumstances when 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 or losses generated by these transactions.

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, 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 management seeks to identify and compare each investment's expected return over time. FIM Group's goal is to add value by actively managing 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, and clients should be prepared to bear this risk. Clients are encouraged to discuss any questions with FIM Group personnel that may arise regarding investment portfolios 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 (including mutual funds) are based on original research and publicly available reports and analysis. These recommendations are made while considering the investment's fit in an overall strategy.

**Mutual fund** investment carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond "fixed income" nature (lower risk) or stock "equity" nature.

**Equity investment** generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Non-U.S. securities** present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and pricing, and the lesser degree of accurate public information available. Additionally, clients may be limited from participating in rights offerings of foreign securities if these offerings are not registered in the United States. In such situations, FIM Group will work with the custodian of the account to try to sell the rights, if possible. 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.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Concentration risk** may exist to the extent FIM Group may invest a significant portion of its assets in the securities of a single issuer, industry, sector, country or region, although this concentration will not occur under normal market conditions. To the extent FIM Group concentrates a client's investments in any of these ways, the overall adverse impact on the client of adverse developments in the business of such issuer, such industry or such government could be considerably greater than if they did not concentrate their investments to such an extent.

**Exchange traded funds (ETFs)** are investment funds traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance.

**Country risk** may exist to the extent that domestic events – such as political upheaval, financial troubles or natural disasters - may weaken a country's securities markets. Because we may invest a large portion of a client's assets in securities of companies located in any one country, performance may be disproportionately impacted by the poor performance of investments in a single country.

**Restricted or illiquid securities risk** may exist to the extent that FIM Group purchases securities subject to restrictions on resale. Restricted securities may be sold only pursuant to an exemption from registration under the Securities Act of 1933, or in a registered public offering. Where registration is required, the holder of a registered security may be obligated to pay all or part of the registration expense, and a considerable period may elapse between the time it decides to seek registration and the time at which it may be permitted to sell a security under an effective registration statement. Difficulty in selling such securities may result in a loss to the fund or cause it to incur additional administrative costs.

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 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 may 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. FIM Group will not participate in this profit.

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 loss of \$150 and another with a gain 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 contacting 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 relating to 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. Any tax 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.

Sometimes due to, among other things, share liquidity, practical constraints, and share price volatility, 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 advisors 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. FIM Group Representatives will, when appropriate, recommend that clients use the trust services of NATCO. Thus, because of Paul's ownership interest in NATCO, a conflict of interest exists when NATCO's services are recommended. This is because any fees paid by clients to NATCO will help to make NATCO more profitable, thus making Mr. Sutherland's investment in NATCO potentially worth more.

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 Gaia, Inc. ("Gaia"). Gaia'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 & Health, may conduct business with Gaia. For these reasons, a conflict of interest exists whenever a purchase of Gaia's shares is made for, or recommended to, a client. To minimize this conflict, Mr. Sutherland is not permitted to recommend the purchase of Gaia shares, and proxies from the firm are voted upon the recommendations of an independent third party. Clients who now own, or who purchase, Gaia 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 Gaia, 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 Gaia are processed. Transaction processing delays will occur as a result of this paperwork process.

Zachary Liggett is a member of Common Cents Capital, LLC (“Common Cents”), 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 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 Mr. Liggett will monitor the activity of Common Cents to ensure that a conflict does not arise.

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 make 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. All accounts and trades of employees are reviewed as described in the Code of Ethics (the “Code”). All employees with accounts managed by FIM Group on a discretionary basis will be treated the same as all other clients, and will be included in block trades along with clients.

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 is required to be reviewed annually and updated as necessary. A complete copy of the firm's Code is available upon request.

Disclosures concerning potential conflicts of interest wherein FIM Group may recommend to clients, or buy or sell for client accounts, securities in which the firm or a related person has a material financial interest are described herein, as well as how related conflicts are addressed.

In appropriate circumstances, consistent with our clients' investment objectives, we may cause certain client accounts to purchase or sell securities in which certain employees and/or our clients directly or indirectly have a position or interest. All employees are required to comply with our Code prior to investing for their own accounts. The Code is designed to assure that the personal security transactions, activities and interests of those individuals will not interfere with making investment decisions in the best interests of our clients. Under our Code, personal securities transactions generally must be cleared with our Chief Compliance Officer. However, certain classes of securities (including open ended mutual funds) and transactions (including non-volitional stock splits, etc.) are designated as exempt from pre-clearance requirements, based upon a determination that trading in these securities would not materially interfere with the best interests of our clients. There is a possibility that our employees or existing clients may benefit from market activity by another client. Personal trading is monitored under our Code to reasonably prevent conflicts of interest with our clients.

### ***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. FIM Group usually recommends that clients utilize certain registered broker-dealers to maintain custody of clients' assets and to effect trades for their accounts. FIM Group is independently owned and operated and not affiliated with such broker dealers.

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 potential implications to a 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, 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.

As indicated above, among other considerations, 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. FIM Group does not, however, consider referrals in connection with its brokerage recommendations. Additionally, while determining fair and reasonable services, FIM Group works to negotiate the most reasonable costs.

In selecting or recommending a broker-dealer, we will also consider the value of research and additional brokerage products and services and other nonmonetary benefits a broker-dealer has provided or will provide to our clients and our firm. Research products our firm may receive from broker-dealers consists of participation in industry specific meetings, access to reports on various investment related topics, economic surveys, data and analyses, financial publications and recommendations or other information about particular companies and industries (through research reports and otherwise). These benefits may influence us to select one broker over another to perform services for our client accounts. Nevertheless, we will attempt to assure that the fees and costs for services that brokers offering these benefits provide are reasonable and not materially greater than services performed by brokers not offering such benefits.

“Soft dollars” refers to the receipt by an investment adviser of products and services that brokers provide, without making any separate cash payments for such products or services, based on the volume of commission revenues generated from securities transactions placed with those brokers on behalf of the adviser’s clients. The products and services available from brokers include both internally generated items (such as research reports prepared by the broker’s employees) and items acquired by the broker from third parties (such as quotation equipment). Section 28(e) of the Securities Exchange Act of 1934, as amended, provides a “safe harbor” to investment advisers who use soft dollars generated by their client accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment manager in the performance of investment decision-making responsibilities.

To the extent we engage in soft dollar arrangements, our use of brokerage commissions to obtain research services creates a conflict of interest between us and our clients because clients generally will pay in the form of higher commissions for products and services that may not be exclusively used for their benefit and will be primarily or exclusively used for our benefit or the benefit of other clients. To the extent that we are able to acquire these products and services without expending our own resources, our use of soft dollars would tend to increase our profitability. To the extent we engage in soft dollar arrangements, we would not necessarily limit soft dollar benefits to those client accounts generating such benefit, nor would we allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

For the sake of clarification, our firm will use research to assist us in making our investment decisions, not just for those accounts whose commissions may be considered to have been used to pay for such research.

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.

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 a FIM Group advisor. While portfolios are generally reviewed periodically, individual portfolio positions are generally reviewed each business day at the discretion of the FIM Group portfolio management team. 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, at the determination of the brokerage firm. FIM Group also prepares periodic portfolio reports for Investment Management Services 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 of any concerns or discrepancies.

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

FIM Group does not currently pay any third party for client referrals or receive economic benefit for providing advisory services other than from clients, and does not expect to do so in the future.

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

In certain instances, FIM Group is deemed to have custody of client funds or securities, in addition to the debiting accounts for management fees. Because of this, the firm is subject to random custody audits by a qualified accounting firm, to ensure proper handling of these accounts. The results of these annual audits are provided to the SEC by the accounting firm directly.

As mentioned previously, clients receive standard account statements from investment sponsors and qualified brokerage firms either monthly or quarterly, at the determination of the brokerage firm. FIM Group also prepares periodic portfolio reports for Investment Management Services 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 of any concerns or discrepancies.

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

For Investment Management Services clients, 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 to execute trades through, but usually trades are executed at the account custodian.



On certain occasions, clients may specify certain investment objectives and guidelines, select their portfolio strategies and impose certain reasonable conditions or investment parameters for their accounts. For example, clients may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or reasonable restrictions or prohibitions of transactions in the securities of a specific industry or security. In all cases, we exercise our discretion in a manner consistent with the investment objectives each client states for its account. We generally will ask clients to provide us with written investment objectives or guidelines or to confirm their objectives, guidelines or any trading restrictions, including any changes thereto.

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. 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 copy of this policy is available upon request.

#### ***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. All proxy proposals are voted on an individual basis.

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.

In general, when a conflict is identified, 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.

Clients may obtain information about how FIM Group voted their securities or a copy of the firm's proxy voting policies upon request.

***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; and
- 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.