

# Disclosure Brochure

March 21, 2011

## **Investors Asset Management, Inc.**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Investors Asset Management, Inc. (hereinafter "IAM"). If you have any questions about the contents of this brochure, please contact Dodie La Piana at (972) 985-7162. 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. Additional information about Investors Asset Management, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Investors Asset Management, Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since IAM's last annual update dated March 15, 2010. IAM does not have any material changes to disclose in this Item.

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## Item 4. Advisory Business

IAM is an investment adviser providing financial planning, consulting, and investment management services. Prior to engaging IAM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with IAM setting forth the terms and conditions under which IAM renders its services (collectively the “*Agreement*”). Neither IAM nor the client may assign the *Agreement* without the consent of the other party. A transaction that does not result in a change of actual control or management of IAM is not considered an assignment.

IAM has been in business as an SEC registered investment adviser since January 11, 1983. Richard C. Erwin is the principal owner of IAM.

IAM has \$176,099,539 of assets under management as of December 31, 2010, all of which are managed on a discretionary basis.

This disclosure brochure describes the business of IAM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of IAM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on IAM's behalf and is subject to IAM's supervision or control.

### Investment Management Services

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Clients can engage IAM to manage all or a portion of their assets on a discretionary basis.

IAM primarily allocates clients' investment management assets among individual equity and debt securities and/or mutual funds, exchange-traded funds (“ETFs”), as well as the securities components of variable annuities in accordance with the investment objectives of the client. IAM also provides advice about any type of investment held in clients' portfolios.

IAM also may render non-discretionary investment management services to clients relative to their individual employer-sponsored retirement plan, variable life/annuity products that they may own, or other products that may not be held by the client's primary custodian. In so doing, IAM either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

IAM tailors its advisory services to the individual needs of clients. IAM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. IAM seeks to ensure that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify IAM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon IAM's management services.

## **Financial Planning Services**

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IAM may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include retirement, estate, and education planning.

In performing its services, IAM is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. IAM may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if IAM recommends its own services. The client is under no obligation to act upon any of the recommendations made by IAM under a financial planning or consulting engagement or to engage the services of any such recommended professional, including IAM itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of IAM's recommendations. Clients are advised that it remains their responsibility to promptly notify IAM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising IAM's previous recommendations and/or services.

## **Additions and Withdrawals to Accounts**

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Clients may make additions to and withdrawals from their account at any time, subject to IAM's right to terminate an account. Clients may withdraw account assets on notice to IAM, subject to the usual and customary securities settlement procedures. However, IAM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

## Item 5. Fees and Compensation

IAM offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management.

### **Investment Management Fee**

IAM provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by IAM. IAM's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. IAM does not, however, receive any portion of these commissions, fees, and costs. IAM's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by IAM on the last day of the previous quarter. The annual fee varies (between 0.40% and 1.25%) depending upon the market value of the assets under management and the type of investment management services to be rendered, as follows:

#### **BALANCED ACCOUNTS**

*For clients with assets below \$500,000*

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
up to \$500,000	1.25%

*For clients with assets in excess of \$500,000*

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
up to \$1,000,000	1.00%
\$1,000,000 to \$3,000,000	0.70%
Above \$3,000,000	0.40%

#### **INCOME ACCOUNTS**

*For clients with assets below \$500,000*

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
up to \$500,000	1.25%

*For clients with assets in excess of \$500,000*

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
up to \$1,000,000	0.90%
\$1,000,000 to \$3,000,000	0.65%
Above \$3,000,000	0.30%

The annual fee for accounts relating to the management of employer sponsored retirement plans, variable annuities, variable life insurance products, or those accounts comprised solely of mutual funds shall be 70%.

IAM, in its sole discretion, may negotiate to charge a lesser management 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, pre-existing client, account retention, *pro bono* activities, etc.).

### **Financial Planning and Consulting Fees**

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IAM may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$2,500 to \$10,000 on a fixed fee basis and/or from \$60 to \$250 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages IAM for additional investment advisory services, IAM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging IAM to provide financial planning and/or consulting services, the client is required to enter into a written agreement with IAM setting forth the terms and conditions of the engagement. Generally, IAM requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), IAM generally recommends that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc. ("*Schwab*"), Fidelity Institutional Wealth Services ("*Fidelity*"), Bank of Texas, and/or TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("*TD Ameritrade*") for investment management accounts.

IAM may only implement its investment management recommendations after the client has arranged for and furnished IAM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Schwab*, *Fidelity*, Bank of Texas, *TD Ameritrade*, any other broker-dealer recommended by IAM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as brokerage commissions and transaction fees. They may also incur custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, transfer taxes, wire transfer

and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to IAM's fee.

IAM's *Agreement* and the separate agreement with any *Financial Institutions* may authorize IAM to debit the client's account for the amount of IAM's fee and to directly remit that management fee to IAM. Any *Financial Institutions* recommended by IAM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to IAM.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees shall be calculated on a *pro rata* basis.

The *Agreement* between IAM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. IAM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Additions may be in cash or securities provided that IAM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. IAM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications. Clients transferring in assets may be subject to brokerage fees from the institution distributing the assets.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.



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

IAM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

IAM provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size**

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As a condition for starting and maintaining a relationship, IAM generally imposes a minimum portfolio size of \$250,000. Alternatively, IAM generally imposes a minimum annual fee of \$2,500. This minimum fee may have the effect of making IAM's service impractical for clients, particularly those with portfolios less than \$250,000 under IAM's management. IAM, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. IAM shall only accept clients with less than the minimum portfolio size if, in the sole opinion of IAM, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. IAM may aggregate the portfolios of family members to meet the minimum portfolio size.

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

### Methods of Analysis

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IAM's primary method of analysis is fundamental.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. IAM will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

### Investment Strategies

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IAM focuses on what it believes are ethical qualities in providing investment services. IAM utilizes its own *SELECT* investing method when analyzing securities and managing portfolios. This approach is based upon qualities represented in the *SELECT* acronym: Shareholders, Environment, Leadership, Employees, Customers, and Time. IAM seeks companies for equity investments that demonstrate regard for shareholders and the environment, provide visionary leadership, are employee and customer focused, and prove their effectiveness over time.

IAM analyzes company and industry-specific information from corporate, quarterly, 10(K) and 10(Q) reports, brokerage and independent research analyses, and media publications. IAM seeks to understand the substance of each company's business model and the stability and profitability typically illustrated in key balance sheet and income statement measures. IAM also seeks to determine fair valuation based upon current statistics compared to historical norms.

IAM typically invests in equities of companies with a market capitalization of at least \$1 billion. IAM's approach is not focused on any particular market cap – small, medium, or large – but rather on the qualities of the company studied and their valuation compared to past standards. IAM's selections may be found domestically or internationally.

IAM's sell discipline is based upon changes in key valuation measures (such as price/earnings ratio to growth rate), market conditions, company-specific fundamentals, and maintenance of asset allocation ranges.

Fixed income investments encompass various sectors including, but not exclusive to, U.S. Treasury, government agency, municipal, corporate, and convertible bonds. IAM only selects securities with an investment grade rating issued by a leading fixed income research organization. IAM's typical approach is to ladder bonds over various maturities within the short-to-intermediate term horizon (up to ten years), although IAM may decide to exceed that time frame. A few factors in which IAM analyzes when deciding

to purchase or sell bonds are yield to maturity compared to other issues of similar quality, balance sheet quality (for corporate bonds), yield premium to the U.S. Treasury rate, and the premium/discount to par.

IAM utilizes mutual funds to diversify portfolios into sectors or markets outside of, or in addition to, its main expertise. Funds might be focused in international bonds, convertible bonds, foreign stocks, emerging market stocks, commodities, etc. IAM selects these securities based upon the need for diversification, along with quality criteria as similar to IAM's *SELECT* strategy as possible.

Portfolio management is done on an individual account basis. Although most equity holdings are chosen from IAM's *SELECT* list, individual selections are made based upon a client's needs, risk profile, and preferences, as well as market conditions. IAM does not automatically sell securities transferred in by a client, but often retains securities that meet IAM's *SELECT* criteria. In addition, IAM will retain securities that are already in a client's portfolio if the client has requested them to be retained.

Asset allocation ranges are established for each account and reviewed regularly to rebalance portfolios. Cash reserves are often maintained to meet future client distribution needs. In addition, IAM sets target allocation ranges for each account based on the results of each client's risk profiles. Based on the client's answers to IAM's risk questionnaire, ranges are placed on the portfolio for the amount to invest in cash, equities, and fixed income.

Diversification is an important element in mitigating risk and IAM rarely allows individual positions to account for more than five percent (5%) of an individual client's investment assets. IAM diversifies equities and corporate bonds by industry sector and mutual funds by asset type. Although IAM's approach to portfolio management is considered long-term in nature, IAM adjusts portfolio allocations when appropriate. IAM may reallocate the portfolio based on a change in client circumstances, or to raise/lower exposure to markets and individual securities based upon the risks or opportunities IAM perceives as appropriate for the client's needs.

### **Risk of Loss**

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#### *Market Risks*

The profitability of a significant portion of IAM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that IAM will be able to predict those price movements accurately.

#### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual funds and ETFs are subject to secondary market trading risks. Shares of mutual funds and ETFs will be listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that a mutual fund's or ETF's exchange listing or ability to trade its shares will continue or remain unchanged. Shares of the mutual fund or ETF

may trade on an exchange at prices at, above or below their most recent net asset valuation (NAV), which is the price that an investor would buy or sell the mutual fund or ETF at. The per share NAV of a mutual fund or ETF is calculated at the end of each business day, and fluctuates with changes in the market value of the mutual fund's or ETF's holdings. The trading prices of a mutual fund's or ETF's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's ETF's shares trading at a premium or discount to NAV.

### *Options*

It is unusual for IAM to utilize options, but it may recommend the use of options for certain clients. Options allow IAM to hedge (limit) certain losses on positions clients hold. The option allows IAM to buy or sell a security at a certain price (not the current market price). Clients pay a fee for the option. If the option falls outside the money (i.e., the market price of the security does not justify purchasing/selling the security at the option price), the client will lose the fee for that option.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

IAM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. IAM does not have any required disclosures to this Item.

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

IAM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. IAM has described such relationships and arrangements below. IAM does not have any required disclosures to this Item.

## Item 11. Code of Ethics

IAM and persons associated with IAM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with IAM's policies and procedures.

IAM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by IAM or any of its associated persons. The *Code of Ethics* also requires that certain of IAM's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in IAM's *Code of Ethics*, none of IAM's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of IAM's clients.

When IAM is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when IAM is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact IAM to request a copy of its *Code of Ethics*.



## Item 12. Brokerage Practices

As discussed above, in Item 5, IAM generally recommends that clients utilize the brokerage and clearing services of *Schwab*, *Fidelity*, Bank of Texas and/or *TD Ameritrade*.

Factors which IAM considers in recommending *Schwab*, *Fidelity*, Bank of Texas and/or *TD Ameritrade* or any other financial institution to clients include their respective financial strength, reputation, execution, pricing, research and service. *Schwab*, *Fidelity*, and *TD Ameritrade* enable IAM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Schwab*, *Fidelity*, Bank of Texas and *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by IAM's clients comply with IAM's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where IAM determines that the commissions are 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 *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. IAM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other broker-dealers with whom IAM and the *Financial Institution(s)* have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the client may be required to sign an additional agreement. Accounts may incur additional fees when prime brokerage is utilized. IAM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct IAM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and IAM will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by IAM (as described below). As a result, the 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. Subject to its duty of best execution, IAM may decline a client's request to direct brokerage if, in IAM's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless IAM decides to purchase or sell the same securities for several clients at approximately the same time. IAM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among IAM's clients differences in prices and commissions or other

transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among IAM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that IAM determines to aggregate client orders for the purchase or sale of securities, including securities in which IAM's *Supervised Persons* may invest, IAM shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. IAM shall not receive any additional compensation or remuneration as a result of the aggregation. In the event that IAM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, IAM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist IAM in its investment decision-making process. Such research generally will be used to service all of IAM's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because IAM does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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IAM may receive from the financial institutions it recommends, without cost to IAM, computer software and related systems support, which allow IAM to better monitor client accounts maintained at that financial institution. IAM may receive the software and related support without cost because IAM renders investment management services to clients that maintain assets at the financial institution. The software and related systems support may benefit IAM, but not its clients directly. In fulfilling its duties to its clients, IAM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that IAM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits

may influence IAM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

There is no direct link between IAM's participation in the *TD Ameritrade* registered investment advisor program and the investment advice it gives to its clients, although IAM receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Additionally, IAM may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

These products or services may assist IAM in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help IAM manage and further develop its business enterprise. The benefits received by IAM's participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by IAM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence IAM's recommendation of *TD Ameritrade* for custody and brokerage services.

Additionally, IAM may receive the following benefits from *Schwab* and *Fidelity*: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively service institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### Item 13. Review of Accounts

For those clients to whom IAM provides investment management services, IAM monitors those portfolios as part of an ongoing process and conducts regular account reviews. For those clients to whom IAM provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of IAM’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with IAM and to keep IAM informed of any changes thereto. IAM shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom IAM provides investment advisory services will also receive a report from IAM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from IAM.

Those clients to whom IAM provides financial planning and/or consulting services will receive reports from IAM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by IAM.

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

IAM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, IAM is required to disclose any direct or indirect compensation that it provides for client referrals. IAM does not have any required disclosures to this Item.

### Item 15. Custody

IAM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize IAM through such *Financial Institution* to debit the client's account for the amount of IAM's fee and to directly remit that management fee to IAM in accordance with applicable custody rules.

The *Financial Institutions* recommended by IAM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to IAM. In addition, as discussed in Item 13, IAM also provides periodic supplemental reports for clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from IAM.

### Item 16. Investment Discretion

IAM may be given the authority to exercise discretion on behalf of clients. IAM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. IAM is given this authority through a limited power-of-attorney included in the agreement between IAM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). IAM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Financial Institutions* to be utilized.

## Item 17. Voting Client Securities

IAM may vote client securities (proxies) on behalf of its clients. When IAM accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in IAM's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in IAM's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact IAM to request information about how IAM voted proxies for that client's securities or to get a copy of IAM's Proxy Voting Policies and Procedures. A brief summary of IAM's Proxy Voting Policies and Procedures is as follows:

- IAM has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to IAM's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, IAM devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct IAM's vote on a particular solicitation but can revoke IAM's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that IAM maintains with persons having an interest in the outcome of certain votes, IAM takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.



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

IAM does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, IAM is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. IAM has no disclosures pursuant to this Item.

## **Investors Asset Management, Inc.**

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