



# Islamorada

## Investment Management

### Client Brochure

*This brochure provides information about the qualifications and business practices of Islamorada Investment Management, LLP. If you have any questions about the contents of this brochure, please contact us at (305) 522-1333 or by email at: [csmith@islainvest.com](mailto:csmith@islainvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Islamorada Investment Management, LLP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Islamorada Investment Management, LLP's CRD number is: 146930*

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*Registration does not imply a certain level of skill or training.*

Version Date: 2/7/2011

## Item 2: Material Changes

Islamorada Investment Management, LLP has not yet filed an annual updating amendment using the ADV Form 2A. Therefore there are no material changes to report.

## Item 3: Table of Contents

### Table of Contents

Item 2: Material Changes .....	i
Item 3: Table of Contents.....	ii
Item 4: Advisory Business.....	1
A. Description of the Advisory Firm .....	1
B. Types of Advisory Services .....	1
Investment Supervisory Services.....	1
Financial Planning.....	1
Services Limited to Specific Types of Investments .....	2
C. Client Tailored Services and Client Imposed Restrictions .....	2
D. Wrap Fee Programs .....	2
E. Amounts Under Management .....	2
Item 5: Fees and Compensation .....	3
A. Fee Schedule .....	3
Investment Supervisory Services Fees.....	3
Financial Planning Fees.....	3
Fixed Fees .....	3
B. Payment of Fees.....	4
Payment of Investment Supervisory Fees.....	4
Payment of Financial Planning Fees .....	4
C. Clients Are Responsible For Third Party Fees .....	4
D. Prepayment of Fees .....	4
E. Outside Compensation For the Sale of Securities to Clients .....	4
Item 6: Performance-Based Fees and Side-By-Side Management .....	5
Item 7: Types of Clients .....	5
Minimum Account Size.....	5
Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss .....	5
A. Methods of Analysis and Investment Strategies.....	5
Methods of Analysis .....	5
Fundamental analysis.....	5
Investment Strategies.....	5
B. Material Risks Involved .....	5
Methods of Analysis .....	5
Fundamental analysis.....	5
Investment Strategies.....	6
C. Risks of Specific Securities Utilized.....	6

Item 9: Disciplinary Information.....	6
Item 10: Other Financial Industry Activities and Affiliations.....	6
A. Registration as a Broker/Dealer or Broker/Dealer Representative .....	6
B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor .....	6
C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests .....	7
D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections .....	7
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	7
A. Code of Ethics .....	7
B. Recommendations Involving Material Financial Interests.....	7
C. Investing Personal Money in the Same Securities as Clients.....	7
D. Trading Securities At/ Around the Same Time as Clients' Securities .....	8
Item 12: Brokerage Practices.....	8
A. Factors Used to Select Custodians and/or Broker/Dealers.....	8
1. Research and Other Soft-Dollar Benefits.....	8
2. Brokerage for Client Referrals.....	8
3. Clients Directing Which Broker/Dealer/Custodian to Use .....	8
B. Aggregating (Block) Trading for Multiple Client Accounts .....	8
Item 13: Reviews of Accounts.....	9
A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews .....	9
B. Factors That Will Trigger a Non-Periodic Review of Client Accounts .....	9
C. Content and Frequency of Regular Reports Provided to Clients.....	9
Item 14: Client Referrals and Other Compensation.....	9
A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes) .....	9
B. Compensation to Non -Advisory Personnel for Client Referrals.....	9
Item 15: Custody.....	10
Item 16: Investment Discretion .....	10
Item 17: Voting Client Securities (Proxy Voting) .....	10
Item 18: Financial Information .....	10
A. Balance Sheet.....	10
B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients.....	10
C. Bankruptcy Petitions in Previous Ten Years .....	11
Item 19: Requirements For State Registered Advisers .....	11
A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background .....	11
B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any) .....	11
C. How Performance Based Fees are Calculated and Degree of Risk to Clients.....	11
D. Material Disciplinary Disclosures for Management Persons of this Firm.....	11
E. Material Relationships That Management Persons Have With Issuers of Securities (If Any) .....	11

## Item 4: Advisory Business

### A. Description of the Advisory Firm

This firm has been in business since August 8, 2008, and the principal owner is Cale Michael Smith.

### B. Types of Advisory Services

Islamorada Investment Management, LLP (hereinafter "IIM") offers the following services to advisory clients:

#### *Investment Supervisory Services*

IIM offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. IIM creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

IIM evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. IIM will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### *Financial Planning*

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on fixed fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

### *Services Limited to Specific Types of Investments*

IIM limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, ETFs, hedge funds, third party money managers, REITs, and private placements. IIM may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

IIM offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent IIM from properly servicing the client account, or if the restrictions would require IIM to deviate from its standard suite of services, IIM reserves the right to end the relationship.

### **D. Wrap Fee Programs**

IIM does not participate in any wrap fee programs.

### **E. Amounts Under Management**

IIM has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$9,656,300.00	\$0.00	01/29/2011

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
\$1 to \$2,000,000	0.95%
\$2,000,0001 to \$4,000,000	0.80%
\$4,000,001 to \$10,000,000	0.65%
\$10,000,001 and up	0.50%

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid monthly or quarterly in advance or in arrears, and clients may terminate their contracts with ten days' written notice.

For fees that are charged in advance, refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

#### *Financial Planning Fees*

##### *Fixed Fees*

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between \$450 and \$10,000. Fees are paid in fifty percent in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

## **B. Payment of Fees**

### *Payment of Investment Supervisory Fees*

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid monthly or quarterly in advance or arrears.

Advisory fees may be invoiced and billed directly to the client with payments due at the beginning of the quarter or year. Clients may select the method in which they are billed.

### *Payment of Financial Planning Fees*

Fixed Financial Planning fees are paid via check fifty percent in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

## **C. Clients Are Responsible For Third Party Fees**

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by IIM. Please see Item 12 of this brochure regarding broker/custodian.

Custodian Fees:

\$100.00 minimum fee

0.30% for accounts from \$33,334.00 to \$250,000.00

0.20% for \$250,000 to \$1,000,000

0.10% for over \$1,000,000

## **D. Prepayment of Fees**

IIM collects fees in advance and in arrears. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check or deposited back into client's account.

## **E. Outside Compensation For the Sale of Securities to Clients**

Neither IIM nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

## Item 6: Performance-Based Fees and Side-By-Side Management

IIM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7: Types of Clients

IIM generally provides investment advice and/or management supervisory services to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Corporations or Business Entities

### *Minimum Account Size*

There is an account minimum, \$20,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

IIM's primary method of analysis includes fundamental analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

#### *Investment Strategies*

IIM uses long term trading and short term trading strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### B. Material Risks Involved

#### *Methods of Analysis*

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Form ADV 2A Version: 2/7/2011

## *Investment Strategies*

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

Investments may also include equities, exchange traded funds, closed-end bond funds, publicly traded real estate investments trusts (REITS) and/or publicly traded master limited partnerships (MLPs). IIM believes none of these securities represent unusually risky investments.

IIM generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither IIM nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither IIM nor its representatives are registered as a FCM, CPO, or CTA.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither IIM nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

IIM does not utilize nor select other advisors or third party managers. All assets are managed by IIM management.

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

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

IIM does not recommend that clients buy or sell any security in which a related person to IIM has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of IIM may buy or sell securities for themselves that they also recommend to clients. IIM will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

## **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of IIM may buy or sell securities for themselves at or around the same time as clients. IIM will trade client's non-mutual funds and non-ETF securities before they trade their own.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodian was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. IIM will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

#### **1. *Research and Other Soft-Dollar Benefits***

IIM receives no research, product, or service other than execution from a broker-dealer or third-party in connection with client securities transactions ("soft dollar benefits").

#### **2. *Brokerage for Client Referrals***

IIM receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

IIM will not allow clients to direct IIM to use a specific broker-dealer to execute transactions. Clients must use IIM recommended custodian (broker-dealer). Not all investment advisers require their clients to direct brokerage. By requiring clients to use our specific custodian, IIM may be unable to achieve most favorable execution of client transactions and this may cost clients money over using a lower-cost custodian.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

IIM maintains the ability to block trade purchases across accounts but will rarely do so. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly only by Cale Michael Smith, Managing Partner. Cale Michael Smith is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at IIM are assigned to this reviewer.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Cale Michael Smith, Managing Partner. There is only one level of review and that is the total review conducted to create the financial plan.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least monthly a written report detailing the client's account which will come from the custodian.

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

IIM does not receive any economic benefit, directly or indirectly from any third party for advice rendered to IIM clients.

### **B. Compensation to Non -Advisory Personnel for Client Referrals**

IIM does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

IIM does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the Custodian. Clients will receive account statements from the custodian and should carefully review those statements.

## **Item 16: Investment Discretion**

For those client accounts where IIM provides ongoing supervision, IIM maintains limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

## **Item 17: Voting Client Securities (Proxy Voting)**

IIM will accept voting authority for client securities in certain cases. When IIM does accept voting authority for client securities, it will always seek to vote in the best interests of its clients. IIM does not maintain preapproved voting guidelines but relies on the investment committee to determine the appropriate course of action in voting client securities that is in the best interest of the client. Clients may direct IIM on how to vote client securities by communicating their wishes in writing or electronically to IIM. When voting client proxies the investment committee will always hold the interests of the clients above its own interests. Clients of IIM may obtain the voting record of IIM on client securities by contacting IIM at phone number or e-mail address listed on the cover page of this brochure. Clients may obtain a copy of IIM's proxy voting policies and procedures upon request.

## **Item 18: Financial Information**

### **A. Balance Sheet**

IIM does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither IIM nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

IIM has not been the subject of a bankruptcy petition in the last ten years.

## **Item 19: Requirements For State Registered Advisers**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

IIM currently has only one management person and only one executive officer; Cale Michael Smith. Cale Michael Smith's education and business background can be found on the Supplemental ADV Part 2B form.

### **B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Cale Michael Smith's other business activities can be found on the Supplemental ADV Part 2B form.

### **C. How Performance Based Fees are Calculated and Degree of Risk to Clients**

IIM does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **D. Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at IIM has been involved in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

### **E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

Neither IIM, nor its management persons, has any relationship or arrangement with issuers of securities.

*This brochure supplement provides information about Cale Michael Smith that supplements the Islamorada Investment Management, LLP brochure. You should have received a copy of that brochure. Please contact Cale Michael Smith, Managing Partner if you did not receive Islamorada Investment Management, LLP's brochure or if you have any questions about the contents of this supplement.*

*Additional information about Cale Michael Smith is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*



# Islamorada

## Investment Management

Form ADV Part 2B – Individual Disclosure Brochure

*for*

**Cale Michael Smith**

Investment Adviser Representative

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UPDATED: 2/7/2011

## Item 2: Educational Background and Business Experience

**Name:** Cale Michael Smith

**CRD#:** 5525448

**Born:** 1972

### Education Background and Professional Designations:

#### Education:

BS Management, United States Coast Guard Academy - 1994

MBA Operations, College of William & Mary - 1998

#### Business Background:

2008 - Present

Managing Partner

Islamorada Investment Management, LLP

2005 - 2008

Managing Director

Hawk Associates Inc.

## Item 3: Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business.

## Item 4: Other Business Activities

Cale Michael Smith is not engaged in any investment-related business or occupation (other than this advisory firm).

## Item 5: Additional Compensation

Other than salary, annual bonuses, regular bonuses, Cale Michael Smith does not receive any economic benefit from any person, company, or organization, in exchange for providing clients advisory services through Islamorada Investment Management, LLP.

## Item 6: Supervision

As the only owner and representative of Islamorada Investment Management, LLP, Cale Michael Smith supervises all duties and activities. Cale Michael Smith's contact information is on the cover page of this disclosure document.

## Item 7: Requirements For State Registered Advisers

*This disclosure is required by Florida securities authorities and is provided for your use in evaluating this investment advisor representative's suitability.*

- A. Cale Michael Smith has **NOT** been involved in any of the events listed below.
1. An award or otherwise being found liable in an arbitration claim alleging damages in excess of \$2,500, involving any of the following:
    - a) an investment or an investment-related business or activity;
    - b) fraud, false statement(s), or omissions;
    - c) theft, embezzlement, or other wrongful taking of property;
    - d) bribery, forgery, counterfeiting, or extortion; or
    - e) dishonest, unfair, or unethical practices.
  2. An award or otherwise being found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:
    - a) an investment or an investment-related business or activity;
    - b) fraud, false statement(s), or omissions;
    - c) theft, embezzlement, or other wrongful taking of property;
    - d) bribery, forgery, counterfeiting, or extortion; or
    - e) dishonest, unfair, or unethical practices.
- B. Cale Michael Smith has **NOT** been the subject of a bankruptcy petition at any time.