

## Item 1 – Cover Page

### Part 2A of Form ADV: Firm Brochure

#### Comprehensive Investment Management, LLC

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March 1, 2018

This brochure provides information about the qualifications and business practices of Comprehensive Investment Management, LLC. If you have any questions about the brochure's contents, please contact Harry McCullough, President of Comprehensive Investment Management, LLC by phone (610-580-5554) or email ([harry@cimontheweb.com](mailto:harry@cimontheweb.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.

Comprehensive Investment Management, LLC is a registered investment adviser with the PA Securities Commission. Information concerning registered advisers is available at the PA Commission's website [www.psc.state.pa.us/](http://www.psc.state.pa.us/). The Commission's phone number is 717-783-5122. It should be noted that registration of an investment adviser with the Commission does not imply any level of skill or training. The oral and written communications with which an adviser provides you, as well as your own research and review, should be your primary guide in hiring and deciding whether to retain an adviser. Additional information about Comprehensive Investment Management, LLC is also available at the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This brochure dated March 1, 2018 is prepared according to the SEC’s requirements and rules.

In the future, item 2 will list and discuss specific material changes made to the brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year (December). We will provide other ongoing disclosure information about material changes as necessary.

Further, we will provide you with a new brochure as necessary based on changes or new information. Currently, our brochure may be requested by contacting Harry McCullough, President of Comprehensive Investment Management, LLC by phone (610-580-5554) or email ([harry@cimontheweb.com](mailto:harry@cimontheweb.com)). The brochure is also available at our website, [www.cimontheweb.com](http://www.cimontheweb.com).

Additional information about Comprehensive Investment Management, LLC. is also available via the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any person affiliated with Comprehensive Investment Management, LLC, that is, those who are registered as investment adviser representatives of the company.

List of changes since 2011:

Effective January 2014, clients pay their quarterly fee by check as described in item 5.

In July 2016 CIM moved its offices to Philadelphia and dropped its telephone land line.

In item 8, “generally will be over-weighted” was changed to “may be over-weighted...”.

In item 12 there is a description of the reduced distinction by the custodian between transactions involving its mutual funds and those of other mutual fund companies that it processes.

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## Item 4 – Advisory Business

Comprehensive Investment Management, LLC (hereafter referred to as CIM) has been in business since it registered with the Commonwealth of Pennsylvania as a limited liability company on October 1, 2004. It has been registered with the Pennsylvania Securities Commission as an investment adviser since February 8, 2005. The sole owner of the company is Harry McCullough, who is the President.

CIM provides ongoing investment asset management, including the execution of trades to reach client approved asset allocations, as well as periodic rebalancing of investments to maintain those allocations. Market timing is not practiced, although there is an attempt to optimize the impact of scheduled rebalancing by selling/buying when prices are up/down relative to recent markets.

Open ended mutual funds are our first choice of investments. They provide a broad level of diversification that for most individual investors is almost impossible to attain through the purchase of individual securities.

As required by the Pennsylvania Securities Commission, there is a written contract specifically covering investment management services. Contracts can be terminated at any time by either party with no penalty.

An essential element of CIM's operating model is the understanding that to reach financial goals, investment management should be accompanied by at least a minimal level of financial planning. Even so, there is no obligation for a client to accept the additional planning service, nor to disclose information he or she does not wish to share.

CIM provides financial planning services on what is referred to as an *ad hoc basis*. Planning topics are sometimes raised by the adviser representative, and other times by the client. Although most financial planning topics will be discussed and reviewed sometime during a typical long-term engagement, the service does not rise to the level of what is referred to as a full financial plan. If the adviser representative concludes that a full financial plan would clearly be significantly beneficial for a particular client, he or she will be so advised.

Financial planning is generally classified under the broad headings of investment management, taxes, retirement planning, asset protection (generally insurance), and estate planning. CIM has experience in, and can assist in all areas of financial planning. The areas of insurance and estate planning generally require services beyond what CIM provides, for example, an insurance policy can be sold only by a licensed agent, and legal documents, unless the client prepares them him or herself, can only be prepared by an attorney.

## Item 5 – Fees and Compensation

Fees are charged as a percentage of assets under management. CIM is a fee-only financial adviser, and consequently accepts no compensation of any kind other than the fees from its clients. That is the case as well for all of the company's adviser representatives.

There is no separate fee charged for financial planning services that accompany the investment management.

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Any separate services and accompanying costs, such as those of an estate attorney or an insurance broker, would be arranged by and paid for directly by the client. CIM has no special or ongoing referral relationship with any insurance broker or attorney.

CIM fees are exclusive of brokerage commissions, transaction fees, transfer fees and other related costs and expenses which may be assessed by the custodian or other third parties. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. CIM does not receive nor benefit from any such commissions, fees, and costs.

The standard investment management annual fee for the first \$500,000 is 1% of the average balance of managed investments. Money market fund balances, if any, are excluded. For the next \$500,000 the fee is .8%, the next \$1,000,000 is .5%, and the next \$1,000,000 is .35%. For all amounts higher than \$3,000,000 the fee is .275%. The fee is billed quarterly in arrears and is calculated by adding the balance at the beginning of the quarter to the balance at the end of the quarter and dividing by two. That average is then multiplied by the appropriate rate.

Two examples of the calculation of the quarterly:

1) Balance at the beginning of the quarter was \$250,000 and at the end of the quarter \$255,000.  
 $\$250,000 + \$255,000 = \$505,000$ . Divided by two = \$252,500.  
The annual rate of 1 % divided by 4 (quarters to a year) = .0025%  
The quarterly fee is \$630 ( $\$252,500 \times .0025$ ).

2) Balance at the beginning of the quarter was \$2,000,000 and at the end of the quarter \$2,035,000.  
 $\$2,000,000 + \$2,035,000 = \$4,035,000$ . Divided by two = \$2,017,500.  
Because different rates apply the \$2,017,500 is segregated: \$500,000, \$500,000, \$1,000,000, and \$17,500.  
The annual applicable rate for each balance is 1%, .8%, .5% and .35%, which divided by 4 (quarters per year) is .0025%, .0020%, .0013% and .0009%.

Each segregated balance is multiplied by its applicable rate:

|                      |   |         |
|----------------------|---|---------|
| \$ 500,000 X .0025   | = | \$1,250 |
| \$ 500,000 X .0020   | = | \$1,000 |
| \$ 1,000,000 X .0013 | = | \$1,250 |
| \$ 17,500 X .0009    | = | \$15    |

The quarterly fee is \$3,515 ( $\$1,250 + \$1,000 + \$1,250 + \$15$ ).

Within fifteen days of the end of a calendar quarter, a detailed invoice is mailed to the client along with quarterly reports (as described in item 13). The client pays the fee with their check mailed to CIM using a provided stamped envelope. CIM does not list a payment due date, as with almost no exceptions, clients pay promptly.

In the event the contract is executed or ended other than on the first day of a new calendar quarter, the fee is pro-rated. Clients are not billed nor do they pay in advance. If for some reason a client insisted on paying in advance, any unearned portion would be refunded.

Fees are not negotiable.

Item 12 further describes the factors that CIM considers in selecting or recommending a brokerage service, and how it determines the reasonableness of their compensation (e.g., commissions).

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

CIM does not charge any performance-based fees, that is, fees based on a share of capital gains on or capital appreciation of the assets of a client. As described in item 5, CIM fees are a percentage of assets under management. The percentage does not increase or decrease depending on performance.

## **Item 7 – Types of Clients**

CIM primarily provides portfolio management services to individuals, some of whom have a high financial net worth. It also has provided management services to trusts, corporations and retirement plans of self-employed individuals.

There is no set minimum account size, although as a practical matter, CIM does not generally recommend investing amounts that represent less than six to twelve months of an individual's typical spending. In addition, CIM would probably not accept a client who is looking for investment management of a relatively small amount of his or her total investments. That would indicate a piecemeal approach, which contradicts CIM's holistic investment and financial planning model.

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

Investment strategy is built on what is deemed an appropriate allocation based on the client's risk tolerance, time horizon, income, wealth level, and other specific individual circumstances as they apply. Once the allocation is set, the next consideration is diversification across the global markets for stocks, and the US for bonds. Stock funds may be over-weighted in certain industry sectors and company size by capitalization (small, mid sized and large). A significant percentage of stock funds will be foreign. Bond funds are generally limited to short and intermediate term. Bonds choices favor US Treasury Inflation Protected.

CIM recommends open ended mutual funds. The stock funds are usually actively managed, as opposed to non-managed passive index funds. Recommended bond funds, on the other hand, are often index funds.

For the most part CIM bases its selection of recommended funds on information provided by various subscription fund rating services, as well as information provided by the mutual fund itself including prospectuses and annual reports. Additional information is secured from the financial media, including websites, newspapers, magazines, radio and television.

Mutual funds provide a broad level of diversification that for most investors would be impossible to attain through the purchase of individual securities. In our opinion the risks associated with individual stocks and bonds outweigh what some perceive as the benefits of potentially higher returns, more control, and income tax reduction. Frankly, it's our opinion individual investments don't hold a meaningful advantage over mutual funds in any of those areas.

The expense of particular mutual funds is a major consideration, and only no-load funds are recommended. Tax planning is also a consideration but is secondary to investment management.

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It is a long-term strategy, with limited turnover. The portfolio of a typical client is reviewed every twelve months and a written report provided. The client approves any recommended changes before they are executed. Once the changes are approved, there is an attempt to time transactions to optimize returns. As an example, sales from stock mutual funds were postponed until stocks recovered significantly from the stock market price drop that ran from late 2007 through March 2009.

By contract CIM has discretionary trading authority. Discretionary authority allows CIM to implement client approved changes over a time, without having to go back to the client on the day a specific trade is to be executed.

Investing in securities involves risk of loss that clients should be prepared to bear. All investments are subject to risk. Foreign investing involves additional risks including currency fluctuations and political uncertainty.

Investments in bond mutual funds are historically lower risk than stocks. Even so, bonds are subject to risk from changes in interest rates, as well as credit risk (ability of the debtor to repay) and inflation risk.

Prices of mid- and small-cap stocks often fluctuate more than those of large-company stocks.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in such a fund.

Past performance is no guarantee of future results.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of CIM or the integrity of its management. Neither CIM nor any of its adviser representatives have ever been disciplined, so in that regard CIM provides no further information applicable to item 9.

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

Registered investment advisers and their representatives are required to disclose all material facts regarding any other financial activities or arrangements that are material to its advisory business or to its clients. CIM engages solely in providing investment management and financial planning services to its clients, and is not involved in any such activities, so in that regard CIM provides no further information applicable to item 10.

The outside activities of the representatives of CIM are described in their respective brochure supplements.

## Item 11 – Code of Ethics

CIM provides services and conducts business based on the following principles.

Never knowingly provide inaccurate or misleading information to anyone and to be clear when providing opinions and estimates as opposed to facts.

Provide services that are in the best interest of the client. Disclose any conflict of interest and withdraw from providing service for which the conflict can not be resolved.

Restrict services to those that fall within the firm's expertise. Secure professional certifications appropriate for providing financial services. Have its representatives continually seek knowledge and skill through research and study. Meet or exceed continuing education requirements.

Provide services in a prompt and thorough manner. If delay is unavoidable, advise the client and explain the reason.

When dealing with a couple, never favor one over the other. While not a requirement, CIM encourages both members to attend any meetings, including the annual portfolio review.

Maintain the security of client information, using utmost care in accordance with the CIM privacy policy.

Do not allow any of its representatives to participate in insider trading or the spreading of rumors of any kind, nor are they allowed to accept gifts from business associates or contacts.

Require any of its representatives to act always in accordance with the firm's code of ethics. Additionally, representatives are required to acknowledge all of the terms of the code annually and upon any substantial amendment to it.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the representatives of CIM will not interfere with making decisions in the best interest of advisory clients and implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

CIM fully anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will frequently recommend to clients the purchase or sale of securities in which CIM representatives have a position of interest. However, in general, the investments recommended will be open ended mutual funds available to the public. So the position of the representative will not be materially significant. If at some point in the future a CIM representative were to recommend an investment in which he or she had a material position, such an interest would be disclosed.

Clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Harry McCullough.

## **Item 12 – Brokerage Practices**

The great majority of client transactions involve mutual funds bought and sold directly from a low cost, no load mutual fund organization. Brokerage transactions consist of purchases of no load mutual funds from other fund families. In such cases, the funds for/from the purchase/sale pass through a money market account that is part of the client's mutual fund holdings. In 2016 the custodian of the great majority of client funds changed its method of operation, with the goal that all transactions will go through a brokerage account. So, the distinction described in the first two sentences of this paragraph will eventually no longer apply. None of this in any way changes the overall investment position of the clients or the fees they are charged.

The brokerage service does not provide specific advice on security purchases and sales, and its commissions are nominal and competitive with other brokerage companies. Clients meeting certain balance levels with the mutual fund family are granted a number of commission free transactions per twelve-month period.

The mutual fund family, as do many others, maintains a separate website that provides information for professional members of the financial industry. There is no requirement to have an account or any interest in an account with the mutual fund family in order to access that website.

No mutual fund provides any free service or research material (usually referred to as soft costs) to CIM other than that made available to all of its customers.

## **Item 13 – Review of Accounts**

Written portfolio reviews are prepared for most clients annually. The emphasis of the report is on the portfolio's allocation and diversification. The report includes information about past total returns for various periods. There are calculations related to the appropriate percentage of withdrawals from the portfolio. Other financial planning topics are sometimes included depending on the particular client's situation, but for the most part they are discussed and reviewed separately.

Depending on the client's preference the report is either presented in person or mailed. When mailed, clients are encouraged to meet with or call the adviser representative to go over the report. Based on client feed back, recommendations are adjusted accordingly. Trades are not initiated until the client gives his or her approval.

Harry McCullough prepares the annual client portfolio reviews. Depending on client preference a second CIM adviser representative provides input on investments, financial planning, tax preparation and tax planning services. When the client requests a meeting with Harry McCullough, the second adviser representative may attend depending on the topic, and more importantly, the client's preference.

Other meetings and discussions are initiated by either the client or an adviser representative as circumstances arise, including a material change in a client's circumstances and financial condition.

Within fifteen days of the end of a calendar quarter, CIM sends each client a report consisting of:

- Market value at the end of the quarter of each managed investment.
- Change in the balance from the previous quarter.
- For the quarter, the total of any deposits and withdrawals, including income taxes withheld and payment of the CIM fee.
- Estimated return for the past quarter, as well as for prior periods.
- Three, five and ten-year annual returns as provided by the custodian.
- Historic returns of the client's current investments.

Completely separate from the CIM reports, custodians mail directly to the clients quarterly reports showing current balances and all transactions for the period.

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

The selection of mutual funds and brokerage services are in no way related to referrals of prospective clients to CIM.

Registered investment advisers are required to disclose if they compensate any person for client referrals. CIM does not, so in that regard CIM provides no further information applicable to item 14.

### **Item 15 – Custody**

CIM does not have custody of any client's securities.

Clients receive quarterly statements directly from the custodian (mutual fund family, brokerage service, or other qualified custodian, for example employer's 401K) that holds and maintains the client's securities.

It should be clearly understood that the source of information for any CIM report is the same as that for the custodian's statements. Since the investments are of a nature that they are readily and publicly traded, there is no variance between the quarter end market values that appear on the CIM and custodian reports.

In any case, clients are urged to compare the custodian account statements to the summaries provided by CIM.

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

CIM has discretionary authority over client securities. However, before any investment exchange, purchase, or sale is executed, specific recommendations are presented to a client for approval. To reduce risks, such changes, when in a substantial amount, are often divided and then executed over a period of time. This may be because of fluctuating market conditions, or the closure of a particular mutual fund. Because of the potential for the time lapse between approval and execution, CIM is deemed to have discretion over the client's accounts under management.

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CIM has registered with the Pennsylvania Securities Commission two versions of its contracts, one discretionary and the other non-discretionary. However, no client has ever opted for non-discretionary, and it is CIM's current policy not to enter into a non-discretionary contract, except under special circumstances. One example would be if CIM was contracted to temporarily manage investments for the estate of a former client.

CIM generally executes investment exchanges through a Limited Agent Authorization arrangement approved by the client, and on file with the custodian. The authorization limits exchanges between funds to accounts with the same owners. Disbursement from any of the accounts can be made by a custodian check (must be mailed to the address of record, that is, the client's address) or to an account at another financial institution, which is titled in the same name(s) as the custodian account. Transfer to a financial institution has to be established in advance. Disbursements to any person or entity other than the account owner(s) can only be accomplished by filing a form with the custodian, which bears the notarized signature of the account owner(s).

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

As a matter of firm policy and practice, CIM does not have any authority to and does not vote proxies on behalf of its clients. Clients retain the responsibility for receiving and voting proxies for securities maintained in client portfolios. If a client asks, CIM may provide advice to clients regarding the voting of proxies.

Since the great majority of advisory investments are in open ended mutual funds, proxy votes for such funds have proven to be rare events.

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

If an adviser requires clients to prepay their fee, they are required to provide a balance sheet for the most recent fiscal year. CIM does not require fee prepayment, so it has not provided its balance sheet.

CIM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **Item 19 – Requirements for State-Registered Advisers**

The following information is provided concerning Harry McCullough, a registered investment adviser representative, President and sole owner of Comprehensive Investment Management, LLC.

Harry McCullough, CPA, CFP®

Year of birth 1943

BS LaSalle University

Certified Public Accountant †since 1976

Certified Financial Planner® ‡ since 2000.

President, Comprehensive Investment Management, LLC

(no other business activities)

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### Footnotes:

#### † Current requirements to be a CPA in Pennsylvania:

Graduated with a Bachelor or Masters degree from a college/university approved by the PA State Board of Accountancy, and completed at least 24 credits hours in accounting subjects.

Generally, two years experience in public accounting under the supervision of a CPA.

Pass the Uniform (same in all states) CPA exam.

Forty hours of continuing education each year.

#### ‡ Current requirements for a CFP® (all states):

Graduated with a Bachelor's degree (or higher), or equivalent, in any discipline, from an accredited college or university.

Complete CFP Board-Registered Programs and pass a comprehensive examination, or, when certain other certifications are in place (example CPA or attorney), by passing that same comprehensive examination.

Three years of full-time relevant personal financial planning experience.

Adherence to CFP Board's Code of Ethics and Professional Responsibility, Rules of Conduct and Financial Planning Practice Standards.

Pass CFP Board's Fitness Standards for Candidates and Registrants, which describe conduct that is unacceptable for a CFP. Example would be bankruptcy within five years of application.

Thirty-two hours of continuing education every two years.

The Certified Financial Planner® mark is owned by the Certified Financial Planner Board of Standards, Inc.