

# Melvin Love Investment Advisor

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March 28, 2011

This Brochure provides information about the qualifications and business practices of Melvin Love Investment Advisor. If you have any questions about the contents of this Brochure, please contact us at 360-425-9345. 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.

Melvin Love Investment Advisor is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Melvin Love Investment Advisor also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## 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 28, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this item will discuss only specific material changes that are 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 materials changes to this and subsequent brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new brochure as necessary based on changes or new information, at any time, without charge.

Currently, our brochure may be requested by contacting Julie Watson, Administrative Assistant at 360-425-9345 or Julie@melvinlove.com. Our brochure is also available on our web site [www.melvinlove.com](http://www.melvinlove.com), also free of charge.

Additional information about Melvin Love is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Melvin Love Investment Advisor who are registered, or are required to be registered, as investment adviser representatives of Melvin Love Investment Advisor.

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## Advisory Business

Melvin Love is the sole proprietor of Melvin Love Investment Advisor. Melvin Love is a Chartered Life Underwriter and a Chartered Financial Consultant ("ChFC). He has been a sole proprietor in insurance and/or investment advisory business since 1986.

Melvin Love Investment Advisor provides discretionary investment supervisory services 80% of the time, and furnishes advice to clients on matters not involving securities 20% of the time.

Client accounts are reported based upon real-time reviews of all investments from all sources of funds that are in the client's portfolio.

Melvin Love Investment Advisor offers customized portfolios to the extent that clients can request to have specific securities included. We have no provision to exclude any individual securities or classes of securities.

For clients with total investable assets in excess of \$500,000 we offer an opportunity to participate in a specially managed sub-portfolio which we refer to as our Diligence program. This program creates a limited exposure portfolio of speculative securities. Individual positions initially are limited to \$5000 and total sub-portfolio never exceeds \$50,000. This portfolio invests in a wide variety of registered securities.

All portfolios are managed on a discretionary basis and can include fixed and guaranteed investments.

As of February 28, 2011 Melvin Love Investment Advisor provided continuous management services to security portfolios as follows:

	Total Number of Accounts	US Dollar Amount
Discretionary accounts:	98	\$11,154,412
Non-Discretionary accounts:	<u>35</u>	<u>\$2,584,194</u>
Total	133	\$13,738,606

## Fees and Compensation

The specific manner in which fees are charged by Melvin Love Investment Advisor is established in a client's written agreement with Melvin Love Investment Advisor. Melvin Love Investment Advisor will generally bill its fees on a quarterly basis. Clients will be billed in arrears each quarter. Clients will authorize Melvin Love Investment Advisor to directly debit fees from client accounts. Management fees shall not be prorated for capital contributions and withdrawals made during the applicable calendar quarter. All fees are calculated based upon the client's net assets under management at the time their quarterly report is prepared. Accounts initiated or terminated during a quarter will be charged a prorated fee. Upon termination any earned unpaid fees will be due and payable.

Melvin Love Investment Advisor's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Melvin Love Investment Advisor's fee, and Melvin Love Investment Advisor shall not receive any portion of these commissions, fees, and costs.

It is expected that all securities transactions will be transacted by Interactive Brokers LLC (IB). Execution fees charged by IB will generally be competitive and among the lowest in the industry.

Melvin Love Investment Advisor's fee schedule is as follows:

<u>Account size</u>	<u>Fee</u>
\$100,000 or less	2.4% per annum
\$100,000 – 250,000	1.9% per annum
Over \$250,000	1.65% of first \$500,000 plus 1.4% of next \$500,000 plus 0.75% of amounts in excess of \$1 million per annum

Funds held in employee sponsored retirement plans is 1.25% per annum.

Diligence clients pay Melvin Love Investment Advisor a flat annual fee of \$500. This fee is intended to offset the cost of specialized research reports and the cost of preparing the "diligence" portion of their quarterly and annual reports.

Fees are not subject to negotiation.

## **Performance-Based Fees and Side-By-Side Management**

Melvin Love Investment Advisor does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Types of Clients**

Melvin Love Investment Advisor provides portfolio management services to individuals, high net worth individuals, trusts, corporate pension plans, and corporate profit-sharing plans.

We currently accept new clients based upon a minimum investment portfolio of \$100,000 and a minimum of \$5,000 per individual account.

Currently our firm provides services to the following types of clients based upon the ratios shown:

1. Individuals (other than high net worth individuals) more than 75%.
2. High net worth individuals, up to 10%.
3. Corporate pensions and profit-sharing plans, up to 10%.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Melvin Love Investment Advisor's investment strategies cover a wide variety of low-risk propositions. These include top-down analysis, bottoms-up analysis, and extreme value investments. Our goal is to posture a client's portfolio in such a way as to provide significant diversification and prevent dramatic large scale losses under extreme investment scenarios. To do this we typically maintain cash positions varying from 50% to 100% of the total portfolio. Our typical portfolio includes 50% cash, 20% long-term positions (one-year duration), and 27% medium-term positions (three-month duration), and 3% speculative positions. In addition to this we maintain an anticipated maximum of 25% trailing stop-loss on individual securities.

Our overall strategy is to let winners run and cut losers short, often substantially less than the 25% stop-loss.

Due the size of our assets under management base, it is virtually impossible to make a quick exit out of the market. This leads us to a position of riding through any catastrophic financial event such as the 911 tragedy, and the more recent earthquake/tsunami in Japan. We consider a 100% cash position to be a viable strategy when we deem the general market conditions to be highly dangerous.

We have never believed in the “buy and hold” strategy and have always practiced an educated market timing approach. By the latter we mean that when individual market segments are over-bought or over-sold that selling/buying into the late stages of these scenarios is a reasonable and profitable money management strategy.

Melvin Love Investment Advisor purchases some of the finest investment advisory newsletters available. This information is analyzed and used to create appropriate portfolios.

Most client portfolios follow a very similar pattern with some accounts having some additional investment positions which slightly increases the risk and potential return. This is done only with clients with whom we have specifically discussed this investment approach.

## **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Melvin Love Investment Advisor or the integrity of Melvin Love’s management. Melvin Love Investment Advisor nor Melvin Love personally have not been subject to any disciplinary actions of any regulatory agency during the entire tenure of the business.

## Other Financial Industry Activities and Affiliations

Melvin Love Investment Advisor provides life, and fixed annuities to clients 20% of the time on a commission-only basis. Products available which may include commissions:

Fixed Annuities: 2-4% on commissionable premiums

Life Insurance: 25-55% (of first year commissionable premiums, 3% on excess)

Fee based clients may purchase products from time to time for which commissions are paid. The commission schedule is fully disclosed in Schedule A of the Investment Management Client Agreement.

## Code of Ethics

Melvin Love Investment Advisor has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Melvin Love Investment Advisor must acknowledge the terms of the Code of Ethics annually, or as amended.

Melvin Love Investment Advisor anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Melvin Love Investment Advisor has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Melvin Love Investment Advisor, its affiliates and/or clients, directly or indirectly, have a position of interest. Melvin Love Investment Advisor's employees and persons associated with Melvin Love Investment Advisor are required to follow Melvin Love Investment Advisor's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Melvin Love Investment Advisor and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Melvin Love Investment Advisor's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Melvin Love

Investment Advisor will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Melvin Love Investment Advisor's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Melvin Love Investment Advisor and its clients.

When a security transaction is executed concurrently for clients and advisor and/or advisor employees where possible all transactions are completed based on the same average price for all parties. When such a transaction cannot be completed on same average price, client accounts always receive the lowest cost or highest selling price.

Melvin Love Investment Advisor's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Julie Watson at 360-425-9345.

## **Brokerage Practices**

Melvin Love Investment Advisor will have discretionary authority to determine the specific securities and amount of said securities a client will hold. It is expected that all securities transactions will be transacted by Interactive Brokers LLC (IB). Execution fees charged by IB will generally be competitive and among the lowest in the industry. All execution fees and IRA trustee fees are paid by the client, exclusive of management fees. Additionally all accounts are subject to a monthly fee based upon minimum trading activity. The above mentioned fees are paid directly to Interactive Brokers LLC from client accounts.

Interactive Brokers LLC is a member NYSE – FINRA – SIPC and regulated by the US Securities and Exchange Commission and the Commodity Futures Trading Commission. The advisor is solely responsible for investment advice rendered. Advisory services are provided separately and independently of the broker/dealer.

## **Review of Accounts**

Melvin Love Investment Advisor reviews provided to clients will include quarterly reports and verbal or face-to-face meetings as may be reasonably requested by the client. All clients are encouraged to attend a face-to-face meeting annually. The objective of the review will be to assure adherence to client's objectives.

Reports are provided by brokerage firms, annuity sponsors, and other third parties with which the client has investments. Performance analysis will be provided quarterly and annually to clients by Melvin Love Investment Advisor in conjunction with third party reports.

## **Client Referrals and Other Compensation**

Melvin Love Investment Advisor does not pay for referrals and have no agreements to pay compensation to any outside parties.

## **Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Melvin Love Investment Advisor urges you to carefully review such statements and compare such official custodial records to the reports that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Should there be a difference between the statements received from the client's broker dealer or IRA trustee, in all cases the broker dealer or IRA trustee statement will prevail.

## **Investment Discretion**

Melvin Love Investment Advisor always receives discretionary authority from the client at the onset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Melvin Love Investment Advisor observes the investment policies, limitations and restrictions of the clients for which it advises.

## **Voting Client Securities**

As a matter of firm policy and practice, Melvin Love Investment Advisor does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Melvin Love Investment Advisor may provide advice to clients regarding the clients' voting of proxies.

## **Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Melvin Love Investment Advisor's financial condition. Melvin Love Investment Advisor 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.

## **Requirements for State-Registered Advisers**

Melvin Love Investment Advisor requires all persons giving advice to have a minimum of five years' experience and have at least one professional designation such as ChFC or CFP.

Melvin Love is the managing partner of Longview Properties LLC which manages a commercial office building in Longview, WA. These duties require a maximum of three hours per month.