
Marshalla Asset Management, LLC

Registered Investment Advisor

FORM ADV PART 2A BROCHURE

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This brochure provides information about the qualifications and business practices of **Marshalla Asset Management ("MAM")**. If you have any questions about the contents of this brochure, please contact us at (650) 949-5692 or info@marshalla.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about MAM is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for MAM is 123371.

MAM is a Registered Investment Adviser (RIA) (SEC 801-61538). Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2

Material Changes

In 2010, the U. S. Securities and Exchange Commission (“SEC”) adopted revised rules regarding the format and content of the Form ADV Part 2 disclosure brochure. Pursuant to revised requirements, all SEC-registered investment advisors were required to prepare a new ADV Part 2 brochure that is presented in a narrative format.

This is MAM’s first ADV Form Part 2 in this format. If there are material changes to the information herein in the future, they will be described in this section.

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Item 4***Advisory Business***

Basic Description of Our Advisory Firm - Marshalla Asset Management (“MAM”) is a financial advisory firm providing families and individuals with personalized financial planning, advice, and investment management services.

MAM is a Registered Investment Advisor (RIA) registered with the U.S. Securities and Exchange Commission.¹ MAM is organized as an LLC in the state of California, but does have clients in other states. Currently, Robert Marshalla is the sole LLC member and owns 100% of the firm. MAM has been in business continuously since its founding in December, 2002.

Types and Nature of Advisory Services Offered - MAM provides a wide range of financial advisory services, including:

- Investment Management – We manage clients’ investment portfolios on a discretionary basis. This means we select investment securities and make trades, although we do not take custody of client assets. Each client agrees in advance to an investment policy in which we attempt, based on individual client characteristics, to strike a balance between aggressiveness in the pursuit of investment returns and safety in preservation of principal.
- Financial Planning – We develop long term financial plans for our clients based on their personal financial and lifestyle goals and resources, as well as their own levels of risk tolerance and risk capacity. The objectives of such plans generally include an assessment of a client’s likelihood of successfully achieving their goals under a range of specific assumptions, and of how changes in their behavior, investment strategies and/or external market circumstances may alter such likelihood of success.
- Other Financial Advice – MAM also provides consultation to its clients on an as needed basis on a wide range of other financial issues, including insurance, estate planning, college financing, retirement planning, cash flow management, mortgage strategies and tax matters. In areas in which MAM is not qualified to offer specific professional advice, like estate planning, taxes, and other legal matters, we recommend outside professionals and/or work closely with the client’s retained professionals in these areas.

The service of investment management includes both:

- Investment portfolio design
- Ongoing management of the investment portfolio

The first and most important part of portfolio design is asset allocation. Asset allocation includes percentage targets for various broad asset classes (like equities, fixed income, commodities, etc.) and investment approaches (like value investing, momentum investing, indexing, etc.).

¹ MAM’s status as an RIA and registration with the SEC does not itself imply any particular or certain level of skill or training.

We do change asset allocation targets from time to time, but only by modest amounts (a practice sometimes called “tactical asset allocation”). We are not market timers. “Market timer” is a term sometimes used to describe traders who are willing to go “all in” or “all out” on certain asset classes, sometimes on a rapid and repetitive basis. They often try to out guess which way markets will move on a short term basis, which we do not attempt to do.

Subsequent to asset allocation, we select a roster of investments to fulfill the portfolio design. The investments utilized to fulfill the design may change from time to time based on our evaluations of managers, approaches and market conditions even if the asset allocation targets remain the same.

We are whole hearted believers in the importance of diversification in investment portfolios, and this includes diversification over different asset classes (stocks, bonds, commodities, etc.), investment approaches and investment managers. We utilize a variety of investment approaches, including classic valuation-based active management, passive and quasi-passive (sometimes called quantitative or systematic) approaches.

Ongoing management of the portfolio includes periodic rebalancing of a portfolio to current asset allocation targets, making changes in the investments used to fulfill the asset allocation, and/or making trades needed to invest new client deposits or to enable them to withdraw cash.

We are very sensitive to keeping trading turnover, taxes and investment costs of all types to low levels. We believe investors need to have patience and maintain a long time horizon.

Types of securities we use or may use include mutual funds, exchange trade funds, individual securities (stocks and bonds), money market funds and CD's. Mutual funds comprise a majority of the value of our assets under management.

Some of the stocks owned by our mutual funds or directly owned by our clients may be organized as publicly traded real estate investment trusts (REIT's) or publicly traded master limited partnerships (MLP's), but we do not currently invest client assets in direct or private placement types of securities. Also, we do not invest in hedge funds or funds of hedge funds. All of our investment securities are 1940 Act mutual funds or public securities traded on widely know market exchanges.

Individual Client Needs - MAM tailors its investment advice to the individual needs of its clients. Although clients are grouped into one of several discrete investor types which determine certain parameters of their portfolio design, each client's portfolio and management thereof is unique. Also, financial plans and financial advice is tailored very specifically to each client's needs and individual situation.

Most, but not all, clients are classified as to one of six to eight “investor types” based on an assessment of their risk tolerance, risk capacity, financial goals, and investment time horizon, as well as their level of financial resources and liabilities. In most, but not all, cases one's investor type determines their slate of top-level asset allocation targets.

Beyond that, however, the specific design, implementation and management of account holdings varies from client to client based on their individual characteristics. Such characteristics include the presence of legacy assets, unrealized capital gains, asset location

specifics as to taxable and tax preferenced accounts, investment limitations in 401k accounts, costs of making changes (e.g., early redemption fees, transaction costs) and cash flow needs. In addition, under limited circumstances (see Item 16 below), we may agree to hold or not hold a small numbers of certain individual stocks, mutual funds or asset classes due to individual client preferences .

Wrap Fee Programs – MAM does not participate in any wrap fee programs.

Assets Under Management (AUM) – All assets managed for a fee by MAM are managed on a discretionary basis as described in Item 16. MAM’s assets under management as of February 28, 2011 were \$118,695,285.

Item 5

Fees and Compensation

How We Are Compensated and Our Fee Schedule – MAM is a fee-only advisor, which means all of our financial compensation comes directly from our clients. All fees paid to MAM by its clients are based entirely on client assets under management by MAM (Client AUM). The following asset-based fee schedule is currently in effect for new clients.

MAM Fee Schedule as of March 1, 2011

<i>Client AUM</i>	<i>Annual Fee</i>
<hr/>	
• \$0 to \$1 million	1.00% of AUM
• \$1 million to \$5 million	1.00% of the first \$1M, plus 0.75% of assets between \$1M and \$5M
• Over \$5 million	Charges as noted above for the first \$5M, plus 0.60% of assets over \$5M
<hr/>	

MAM does not collect any other fees of any kind from its clients.

Also, MAM does not receive any commissions or other financial compensation from any third parties. We do, however, receive some economic benefits from our custodians and other financial service firms in the form of the support products and services they make available to us. These include items such as educational seminars, conference calls and software tools that help manage investments and our business. The provision of these services or products is not contingent upon MAM or our clients purchasing any particular products or services or upon the level of business we may undertake with them. This is further discussed in Items 12 and 14 below.

The minimum level of assets under management for new clients is normally \$1,500,000 or the fees thereon. AUM limits were lower prior to Feb. 1, 2006; however, pre-existing clients’ eligibility to be clients and services offered were not altered by this change.

Slightly different fee schedules have been in effect at different times of MAM’s existence, so all current clients are not paying fees based precisely on the schedule herein. MAM reserves

the right to alter its fee schedule and minimum asset level for new clients in the future, although existing clients would not be expected to adhere to any such changes. Such changes will be noted in Item 2 as Material Changes to this Form ADV Part 2A.

The fees and minimum asset levels above may be negotiable under certain non-standard conditions such as (but not limited to) restrictions in services provided and/or types of assets to be managed, or agreements not to trade certain assets for specified periods of time.

MAM and each client jointly execute a written Investment Advisory Services Agreement, which governs the fees paid to MAM and other terms of the relationship.

How and When We Collect Fees from Clients – Asset based fees are assessed to clients every three months in advance, at a rate of one quarter of the annual fee, and with the amount based on assets under management (AUM) on the last day of the preceding three month period.

As part of the Advisory Services Agreement clients provide written authorization for the quarterly management fee to be deducted from their accounts by their custodian (generally Schwab or TD Ameritrade) and paid to MAM. MAM calculates the amount of the fee to be deducted and provides the calculations and fee amounts to the custodian. The custodian then deducts the fee from the client's accounts and remits the respective amount to MAM. Within a few days of the time MAM directs the Custodian to deduct the fee, MAM mails an invoice to the client showing the amount of the fee and the method used to calculate it. In addition, the custodian sends the client a monthly account statement showing any fee amounts deducted during the month. The specific manner in which fees are charged by MAM is established in a client's written Advisory Services Agreement with MAM.

Either party can terminate the Investment Advisory Services Agreement at any time by written notice to the other party, which shall be effective upon receipt by the other party. In such event, any fees that had been pre-paid by the client will be returned to the client based on the number of days paid in advance after the termination date. For example, if a client paid for 90 days of services in advance and decided to terminate the agreement 25 days into that period, MAM would return 65 days' worth of pre-paid fees to the clients (that is, (65/90) times the total advance fee paid).

Fees and Expenses Clients May Pay to Parties Other Than MAM – Client fees paid to MAM are exclusive of any brokerage commissions, transaction fees, and other related investment expenses which may be incurred by the client. Such charges may be imposed by custodian/brokers (like Schwab and TD Ameritrade) and third party investment companies like mutual funds and exchange traded funds (ETF's). Trading costs such as broker commissions and mutual fund transactions fees are debited directly from the client account at the time of the trades by the custodian/brokers. Management fees and trading and other operating expenses associated with mutual funds and ETF's are internal fees that are not directly assessed to client accounts, but which are offset against investment returns within the funds. All such internal fees and expenses are disclosed within the investment security's

prospectus. MAM does not share in any of these fees, expenses or commissions charged against client accounts by custodian/brokers or other investment companies.

Item 6

Performance –Based Fees and Side-by-Side Management

MAM 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. The term “side-by-side management” is not applicable to MAM since it concerns advisors who manage both accounts based on performance based fees and accounts that are charged another type of fee.

Item 7

Types of Clients

MAM’s clients include individuals, couples and families. We have established a \$1,500,000 minimum value of assets for opening an individual client account, although multiple accounts for the same client may be aggregated to meet this minimum. This minimum may be waived in certain circumstances.

As a result of the minimum account requirement, MAM’s services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisors may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

We do not currently provide services to corporate or public retirement plans, foundations, charitable institutions, endowments or municipalities. We do not at this time have any plans to pursue such types of clients, but there is nothing restricting us from doing so at some future time.

Item 8

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Approach in General – MAM’s approach to investment management is based on the belief that asset allocation is the most important investor decision, and that intelligent diversification can improve the risk-reward expectations of one’s portfolio over a long term time horizon (at least five years and preferably more).

MAM client portfolios are comprised of well researched mutual funds, ETF’s and in some cases carefully chosen publicly traded equities. We do not currently invest in hedge funds, private partnerships or direct investments in private real estate or other private assets.

Nonetheless, investing in such securities involves, even over relatively long (multi-year) time periods, substantial risk of loss that clients should understand and be prepared to bear. Prior

to implementing an investment strategy, and periodically afterwards, MAM endeavors to explain to clients the tradeoffs between being aggressive in pursuit of investment returns and the relative level of safety in preserving one's capital.

Our asset allocation focuses first on what we consider to be "top level" asset classes. For example, these asset classes have recently included:

- Equities
- Real Estate (in securitized format, such as REIT's)
- Commodities
- Managed Futures Strategies
- Arbitrage Strategies
- Fixed Income (primarily bond funds)
- Cash Equivalents (such as money market funds)

In some cases there are also secondary level asset classes that are subsets of the above broad asset classes, such as large, mid and small cap equities, and domestic versus foreign developed versus emerging markets equities.

Particular Investment Approaches - MAM invests in such asset classes using a variety of investment approaches or strategies. Among the most important are the following:

- Valuation-Based Active Management (a form of fundamental analysis)
- Fundamental Indexing
- Momentum Investing (a form of trend following)
- Pricing Arbitrage (as applied to publicly traded securities)

Valuation based active management is practiced by both fund managers and MAM personnel to select securities (like equities or bonds) based on one's assessment of their current market price in relation to their perceived economic value. The analyst applies fundamental valuation techniques to assess what he believes the security is worth. To do so, one usually has to estimate future cash flows, which in turn may depend on both "bottom up" financial and competitive market factors specific to the company or entity being assessed, and "top down" factors which refer to external economic factors like GDP growth or interest rates that may affect a company's cash flows or credit worthiness.

Some sub-varieties of valuation-based active management include value investing, growth-at-a-reasonable-price (GARP) and growth investing. The differences among these approaches have primarily to do with the relative importance one places on current company metrics like earnings, sales and book value, versus future expectations about the growth of such metrics.

The success of fundamental valuation techniques depends on how well a given analyst is able to apply such techniques, including her degree of accuracy in projecting future cash flows and other economic data associated with a company. Further, even if the cash flows

are correctly projected, there is no assurance that other investors will recognize this nor that market prices will come to reflect it as the analyst believes they should.

Fundamental Indexing is a quasi-passive approach to investing in broad market segments, such as large or small cap stocks in the U.S. or other developed markets or in emerging markets. As with a more typical index fund, this approach attempts to hold all of the stocks tracked by a given market benchmark (such as the Russell 1000 or the FTSE RAFI 1000), but with the difference being that it weights the holdings by something other than market cap. Different weighting schemes can be used, but all share the characteristic of being independent of the market price of the stocks. Typical metrics used to set holdings weights include cash flows, sales revenue, dividends paid and book value.

The potential benefits and other characteristics of this investment approach have been extensively back tested, evaluated and reported on in professional journals and in presentations and articles by the practitioners. The returns gained by mutual funds and ETF's formed since 2005 seeking to take advantage of such benefits have been very promising. But as with any investment approach there is no assurance that such market behavior will continue in the future, and such approaches could as a result under-perform.

The funds and ETF's that we use to utilize fundamental indexing strategies attempt to replicate the returns of certain published market indices. But an investor cannot invest directly in an index, and there is substantial risk that the investments will fail to match the returns of the indices. The divergence of performance between a fund and the index it attempts to match is called "tracking error". Funds and ETF's have management fees, trading costs and other expenses that market indices do not. Some funds use sampling techniques rather than attempt to own every stock in the index. The prices at which securities are added to or deleted from an index, especially when it is periodically rebalanced, may not match the actual execution prices experienced by the operators of the real world funds. All of these issues and more contribute to the existence of tracking error, which can be substantial for some fundamental indices (particularly smaller cap and foreign market indices).

Momentum investing seeks to take advantage of temporary trends exhibited by sets of stocks and other asset classes. Academic research tracing back at least to 1993, and reported on in over 300 professional journal articles since then, has established the historical existence of momentum in the prices of equities and other asset classes, although only over relatively short time intervals (roughly one year or so). Momentum means that when a statistic like prices or earnings has been moving in one direction for a while (i.e., up or down) it is statistically more likely to continue moving in that direction than to reverse course. In other words, the time series exhibits some positive correlation rather than independence over time. In the common vernacular, this means that "trends", albeit fleeting, have been found to exist in stocks' and other securities' prices. (By the way, this is in contradiction to the "random walk down Wall Street" notion that stock prices change completely randomly through time, other than in response to genuine new information about companies.)

Momentum investing seeks to capture some of the excess returns owing to high momentum stocks and other asset classes. We currently utilize momentum strategies in a small number

of equity mutual funds (a minority fraction of our equity allocation) and as well in the case of the managed futures asset class.

Momentum investment strategies can be prone to high costs, high trading turnover, low tax efficiency and ill-defined or opaque methodologies. However, with the recent advent of well-defined momentum indices and transparent quasi-passive approaches designed to follow them utilizing 1940 Act mutual funds, MAM believes there is the promise – though not the guarantee—that such problems can be overcome.

MAM believes there is enough evidence to warrant investing a portion of our assets in such strategies, but recognizes there is no assurance that the behavior observed in the past will continue in the future. There is the risk that momentum in stock and other asset prices will cease to exist in the future, or that it will manifest itself in different ways (such as over different time periods) so that hoped for returns from the approaches we employ will fail to occur and/or that losses will be experienced. Momentum strategies are subject to high trading turnover, and thus will incur a higher level of brokerage fees and commissions, and possibly a higher level of tax liability to clients than will other strategies that have lower trading turnover.

Managed futures strategies may utilize derivatives, forward and futures contracts related to stocks, bonds, commodities and currencies. This exposes such strategy to additional risks, including increased volatility, lack of liquidity, and possible losses greater than the funds initial investment, as well as increased transaction costs.

Pricing Arbitrage refers to strategies designed to take advantage of temporary differences in the price of one security and another. The strategy usually relies on simultaneous or near simultaneous purchase and sale of two assets that are substantially similar or related, but which have different prices (sometimes called “relative value trades”). The price differences may be due to pricing inefficiencies and/or the presence of factors that we have less interest in than other market participants do (such as the liquidity factor for example).

Arbitrage strategies in the funds we use are commonly applied to announced mergers and acquisitions (i.e., price differences between an acquirer and its acquisition target), convertible bond pricing, and market “events” such as company spinoffs, offerings of special types of securities or additions/deletions of a security to a market index.

Arbitrage plays entail the risk that the anticipated arbitrage opportunity does not play out as planned (e.g., an announced merger fails to materialize), which can potentially lead to losses on both sides of a pair of trades. Also, because this strategy frequently sells securities short, there is the risk that the price of such security increases, and this could lead to potentially unlimited loss. The use of derivative instruments also exposes the funds we hold to additional risks and transactions costs.

Additional Investment Risks – In addition to the risks discussed above with respect to the particular investment approaches utilized at MAM, this section enumerates a number of additional investment risks, some of which may apply to many or all investment approaches we utilize.

Generic Risk of Losing Money - All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return.

Systematic and Unsystematic Risk Factors - Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect a market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to a specific company or investment security. These risks include individual business and financial risks such as a company failing to meet sales objectives, experiencing supply chain problems, suffering credit ratings downgrades, losing access to financing sources and a myriad of others.

Foreign Currencies – Investments in mutual funds and ETF's that invest in foreign securities are subject to the uncertainty associated with changes in foreign currency values. When such investments conduct their business in foreign currencies, those currencies must be converted back into U.S. dollars before our investors can use them. Thus, the client will bear more risk and may earn a substantially higher return or a substantially lower return.

Inflation - Inflation is the loss of purchasing power through a general rise in prices. The "real" return on any investment is the return that remains after adjusting for inflation. For example, if an investment's total return is 4% in nominal terms, but inflation turns out to be 5%, the investor would actually suffer a loss in real, inflation adjusted terms.

Price Fluctuation - Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in better alignment with their risk tolerance. Volatility is a similar term used to describe the degree of price fluctuations of a security or market.

Financial Crisis - During the financial crisis and associated economic recession that reached its crescendo during 2008 and 2009, the prices of almost all major asset classes declined precipitously. Individual security selection was of little or no use during that period. From its highpoint in October 2007 to its low in March, 2009, less than 1 ½ years later, the S&P 500 declined by 57%. The index would have to appreciate by 133% subsequently just to get back to its October, 2007 starting point. Other markets fell by similar or even greater amounts, including foreign stock markets, real estate securities and commodities. Aside from U.S. Treasuries, even bonds fell by substantial amounts. No one can predict for sure whether or when another financial crisis and/or economic downturns of similar magnitude may recur in the future. Even well diversified investment portfolios such as those held by MAM clients would be vulnerable to substantial losses should external shocks such as those of 2008 and 2009 recur.

Other External Shocks: Geopolitical, Health, Acts of God – Numerous other types of external events can shake the markets, such as wars, terrorist acts, epidemics, earthquakes, nuclear accidents and so forth. When severe crises occur, economic and social activities can be

severely disrupted, and even if they are not, investors worldwide can become fearful and lose their appetite for risk. Either occurrence can cause portfolios to suffer substantial volatility and/or investment losses.

Economic Risk – Investors who buy stocks, bonds, real estate and commodities are investing in the economy, or parts thereof. Hoped for investment returns generally derive from the successful production of economic goods and services. But economies have never progressed upward in continuous straight lines. Business cycles, failed government policies and other disruptions have caused economic growth to cycle downward and to stagnate at times. This is perhaps the most garden variety source of systematic risk that affects wide ranges of investments and virtually all investors. Investors should understand that economic cyclical volatility will most likely continue to plague us in the future, and that this will at a minimum cause volatility in our portfolios. Depending on when an investor may wish to withdraw her assets, such cyclical volatility can cause potentially permanent losses as well. We do not know of any investment techniques to fully hedge against economic cyclical volatility without at the same time giving up the possibility of healthy investment returns.

Item 9

Disciplinary Information

MAM has never had any legal or disciplinary events, so there is nothing to disclose in this item.

Item 10

Other Financial Industry Activities and Affiliations

MAM is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer.

MAM does not recommend or select other investment advisers for our clients from whom we receive compensation directly or indirectly. Although we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, neither the Firm nor its principals or employees are affiliated with any law or accountancy firm.

Item 11

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

MAM 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 MAM must acknowledge the terms of the Code of Ethics annually, or as amended.

MAM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Amy Mueller or Robert Marshall.

MAM seeks to avoid all material conflicts of interest. Accordingly, neither MAM nor its investment adviser representatives nor its team members receive any third party direct monetary compensation (i.e., commissions, 12b-1 fees, or other fees) from brokerage firms (custodians) or mutual fund companies.

Although MAM believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate, or at least minimize, potential material conflicts of interest, and to manage appropriately any material conflicts of interest that may remain, clients should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest.

MAM does at times, when consistent with clients' investment objectives, recommend, or buy and sell in its managed client accounts, securities in which MAM personnel or other clients, directly or indirectly, have a position of interest. MAM's employees and persons associated with MAM are required to follow MAM's Code of Ethics at all times. Subject to satisfying this policy and applicable laws, officers, directors and employees of MAM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for MAM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of MAM 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 MAM'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 MAM and its clients.

It is MAM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. MAM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

Certain employee or related (“affiliated”) accounts may trade in the same securities with client accounts on an aggregated basis when consistent with MAM's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. MAM will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

See Item 12 below for more about aggregation practices at MAM, and the procedures we follow when buying or selling the same security for multiple clients on the same day and when aggregation is not used.

Item 12

Brokerage Practices

The Custodians and Brokers We Use - MAM does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 – Custody, below). Your assets must be maintained in an account at a “qualified Custodian,” generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Company (Schwab) or TD Ameritrade (TDA), who are registered broker-dealers and members of SIPC as their qualified custodian.

MAM is independently owned and operated and is not affiliated with Schwab or TDA. Schwab or TDA will hold your assets in a brokerage account and buy and sell securities when we instruct them to do so. While we recommend that you use Schwab or TDA as custodian/broker, it is you who will decide whether to do so and who will open your account with Schwab TDA by entering into an account agreement directly with them. We do not open the account for you, although we will assist you in doing so. Even though your account is maintained at Schwab or TDA, we can still use other brokers to execute trades for your account as described below (see “*Your Brokerage and Custody Costs*”).

How We Select Brokers/Custodians - We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)

- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see *“Products and Services Available to Us From Schwab and TDA”*)

Your Brokerage and Custody Costs - For our clients’ accounts that Schwab or TDA maintains, they do not charge you separately for custody services but are compensated by charging you commissions or other fees on trades that they execute or that settle into your Schwab or TDA accounts. Schwab’s and TDA’s commission rates applicable to our client accounts were each negotiated with MAM based on the condition that our clients collectively maintain a certain level of assets with them. This commitment benefits you because the overall commission rates you pay are lower than they would otherwise be. We have determined that having Schwab or TDA execute most or all of our trades is consistent with our duty to seek “best execution” for your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *“How We Select Brokers/Custodians”*).

Products and Services Available to Us From Schwab and TDA - Schwab Advisor Services (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firms like us. Similarly, TD Ameritrade Institutional is TDA’s business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage – trading, custody, reporting, and related services – many of which are not typically available to their retail customers. Schwab and TDA also make available various support services. Some of those services help us manage or administer our clients’ accounts; while others help us manage and grow our business. Schwab’s and TDA’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab and similarly at TDA. If our clients collectively have less than \$10 million in assets at the custodian, they Schwab may charge us modest quarterly service fees (\$1,200 in the case of Schwab). Following are more detailed descriptions of the two custodian firms’ support services.

Services That Benefit You - Schwab and TDA institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab and TDA include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab and TDA services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You - Schwab and TDA also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's and TDA's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab and TDA. In addition to investment research, Schwab and TDA also make available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us - Schwab and TDA also offer other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab and TDA may provide some of these services themselves. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab and/or TDA may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab and TDA may also provide us with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Schwab and TDA Services - The availability of these services from Schwab and TDA benefits us because we do not have to produce or purchase them elsewhere. We don't have to pay for Schwab or TDA services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at each of Schwab and TDA. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab or TDA either in trading commissions or assets in custody. The \$10 million minimums could in theory give us an incentive to recommend that you maintain your account with Schwab or TDA based on our interest in receiving Schwab and TDA services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selections of Schwab and TDA as custodian and broker are clearly in the best interests of our clients. Our selection is primarily

supported by the scope, quality, and price of Schwab and TDA services (see “*How We Select Brokers/Custodians*”) and not Schwab and TDA services that benefit only us. As of February 28, 2011, we had over \$118 million in client assets under management, so that we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab or TDA in order to avoid paying their service fees presents any kind of meaningful material conflict of interest.

Aggregation of Trades – MAM does not generally aggregate the purchase or sale of securities over various client accounts. The nature of our trading makes the opportunity to aggregate trades very rare, and in cases where aggregation is possible, MAM is unaware of any non-random benefits that would accrue to clients as a result.

Most assets at MAM are held in mutual funds. Since all mutual fund trades placed in a given day are executed at the same close of business day price, aggregation would not make any difference to client results. For individual stocks and bonds and ETF’s aggregation could ensure that all clients having trades executed on a given day would obtain the same purchase or sale price. However, MAM seldom makes trades for all or even multiple clients in the same security on the same day. In cases where we do, (a) trade volumes are not large enough to influence execution prices, and (b) MAM believes it is unknowable as to whether placing one trade before or after another during a given day will result in better or worse execution prices for the clients.

Nevertheless on occasions when MAM does choose to buy or sell the same security for numerous accounts on the same day, we have used aggregation with the main reason being to make the trading process more efficient in terms of the time it takes to complete and confirm all the trades.

In order to avoid any perceived favoritism or conflict of interest, on those occasions where MAM buys or sells the same individual stock or bond for multiple clients, but does not aggregate trade orders, we have adopted the policy of entering the trades in either alphabetical order or reverse alphabetical order. We do the former on odd days of the month and the latter on even days of the month.

In cases where MAM employees may be participating in the trades in the same security as clients on the same day, the order of trades is set in the same manner. That is, the employee’s name or names are sorted alphabetically along with the clients’ names to determine the order in trades.

Item 13

Review of Accounts

MAM periodically reviews all client accounts and financial plans. Such reviews are conducted in numerous ways, frequencies and levels of detail.

Daily Management of Client Data - Most importantly, MAM maintains a comprehensive database that contains a day-by-day record of each client’s detailed holdings by account, and of all transactions affecting those holdings, including but not limited to all security trades, client deposits, withdrawals and account transfers, and all fees and credits, including

advisory fees, brokerage trading fees or commissions, dividends, interest and fund distributions. MAM manages client data using Portfolio Center a third party portfolio accounting system that is in widespread usage in the RIA industry. (To our best knowledge, Portfolio Center easily has the highest market share of any portfolio management system used in the independent RIA industry.)

MAM downloads and updates client account data every day from our custodians (see Item 12 above) and a few other outside sources into our Portfolio Center database and reconciles it to the Portfolio Center database. The updates to the database are incremental in time so that MAM is able, on demand, to review any account holdings or transactions on any specific day since the inception of MAM, as well to generate a wide range of historical reports on holdings, asset allocation, cost bases, realized and unrealized capital gains, cash flows and investment performance.

Periodic Full Portfolio Reviews – MAM performs full portfolio reviews for each client on a systematic basis, approximately twice per year. A “full portfolio review” is a comprehensive review of all client account holdings, considered on a consolidated basis, in which the full portfolio is evaluated in light of latest asset allocation targets and MAM’s most recent preferred investment selections, as well as tax and liquidity considerations. A full portfolio review generally involves rebalancing the portfolio to a client’s latest asset allocation targets as well as implementing any new MAM recommended investment selections and/or deleting those that have been deleted from our preferred list.

Other than Periodic Reviews - Specific event driven reviews of client accounts and financial plans are undertaken on a case by case basis based on events specific to the client or external economic or market events. Some such client-specific events are routine, like modest cash withdrawals and deposits. Others are major, like changes in employment or marital status, the refinancing or purchase or sale of a home, or additions of new accounts (like IRA rollovers).

A full portfolio reviews may be initiated at any time other than the regular periodic cycle if there is a material change in the client’s goals, resources, lifestyle, spending plans, risk tolerance or risk capacity.

External economic events or trends may also stimulate reviews of all or a subset of client accounts, such as a stock market crash or a significant geopolitical event. Such reviews may result in the sale or purchase of particular securities or security types, or even of the restructuring of portfolio designs (such as changing the targets for certain asset classes like stocks or bonds or commodities).

Regular Reports by Us – MAM provides Clients with regular written quarterly reports. These include:

- A report showing the value of each account managed by MAM.
- Consolidated holdings report that shows the market value of each investment position in the client’s consolidated portfolio. (The consolidated portfolio is an aggregation of holdings over all accounts managed by MAM, generally organized by asset class and/or market segment.)
- Asset allocation report for the consolidated portfolio.

- Performance reports that show the net investment performance of the accounts managed by MAM over several time periods, along with comparisons to various market benchmarks.
- One or more commentaries addressing current economic and/or investment topics, as well as occasional financial planning topics (since as long term care insurance or Roth IRA conversions).
- Realized capital gains report (included only with year-end quarterly report).

These reports are generally mailed to clients in hardcopy, except that on the client's request we will email them in electronic format instead.

Similar reports can and frequently are sent to clients upon request at any time other than quarter end.

Custodian Provided Reports and Information Access - In addition to the reports provided by MAM, the custodian of the client's accounts distributes monthly account statements and year-end tax statements (such as 1099's and K-1 forms) to the client, either in hardcopy or electronic format at the client's request. Monthly account statements show investment positions and any transactions made during the previous month, as well as trade confirmations upon execution of trades.

Both of MAM's primary custodians, Schwab and TDA, also provide comprehensive online account access to MAM's clients without charge.

Item 14

Client Referrals and Other Compensation

We receive indirect economic benefits from Schwab and TDA in the form of the support products and services they makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – *Brokerage Practices*). The availability to us of Schwab and TDA products and services is not based on us giving any particular investment advice to our clients, or on buying or selling particular securities for our clients.

Some other financial entities, such as JP Morgan Asset Management, PIMCO, AQR Capital Management, Litman Gregory and others, provide valuable economic and investment advisory information and services to MAM and other advisors in the form of conference calls, on site seminars or symposiums and individual meetings with representatives of such firms. Some of these services are quite valuable to us and our clients in terms of enhancing our knowledge of economics and markets and on the quality of investment management we are able to provide. Some of these firms also offer mutual funds or ETF's which may be purchased for client accounts. There are no requirements or financial incentives for MAM to purchase any such products in return for access to said services.

Neither MAM nor any related person or entity directly or indirectly compensates any person or entity for making client referrals to MAM.

Item 15***Custody***

MAM does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a “qualified custodian,” generally Schwab, TD or another broker dealer, bank or trust company. MAM is unable to take even temporary possession of client assets for the purpose of transferring them to the client’s account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their accounts as necessary.

MAM is granted the authority by its clients in our Advisory Services Agreement to receive payment of its management fees directly from their accounts, but MAM is not authorized to make any other withdrawals or to transfer money out of the account to a third party.

Disclosures Related to Custodians - Schwab and TDA act as custodians and executing broker-dealers for MAM clients. Schwab and TDA are independently owned and operated and are not affiliated with MAM and do not supervise or otherwise monitor our investment management services to our clients.

For MAM client accounts maintained in their custody, Schwab and TDA generally do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through them or that settle into client accounts that are held with them. In virtually all cases, trade executions for client accounts will be made through the client’s custodian to avoid “trade away” charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab and TDA send account statements directly to the client (or to an independent third party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client’s account, including the payment to MAM of its investment management fees.

Item 16***Investment Discretion***

MAM has discretionary authority to manage securities accounts on behalf of all fee paying clients, as set forth explicitly in the MAM Advisory Services Agreement that clients and MAM execute at the onset of our relationship. This means that upon agreeing to an investment policy statement, MAM is generally authorized to make trades in client accounts at its discretion and without requiring prior authorization by the client.

However, upon mutual agreement by MAM and the client, MAM will and does allow the client to select or decline purchase or sale of certain securities or asset classes. For example, a client may wish to hold or not hold a small set of certain individual stocks, mutual funds or asset classes. Generally the rule is that MAM retains trading discretion except for instances that are mutually and explicitly agreed upon by both MAM and the client. MAM has a policy of only agreeing to such client discretion if it believes the requested practice is consistent with the agreed upon client investment policy statement.

Item 17

Voting Client Securities

MAM has adopted a policy of not voting proxies or other solicitations on behalf of client securities. Clients receive such proxies or solicitations from their custodian, and are free to vote them as they wish.

Item 18

Financial Information

MAM does not require or solicit prepayment of its management fees from clients six or more months in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.